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# New Era Economics

PRESENTING A

## RATIONAL THEORY OF VALUE

BY

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## PART I.

### INTRODUCTORY.

#### CHAPTER I.

##### SCOPE AND FUNCTION OF ECONOMICS.\*

ANY fairly well informed person who takes up the study of economics must be struck by the variety and the conflicting character of doctrines presented by different schools of political economy; and he could not help noticing the difference of viewpoint, taken by various writers, as to what is the proper function and scope of the science of political economy; a difference which necessarily must affect the deductions and the teachings of the respective writers in a marked degree. One class of economists may be credited with a distinct desire to give a moral side, or content, to their theories. These were unquestionably men of strongly humane and kindly instincts, men who saw the widespread misery of the greater number of their fellow beings, the almost universal poverty and degradation of the masses, largely self-inflicted perhaps, but more largely imposed by circumstances, by customs, and by institutions over which the victims have no control; such as the misfortune of sickness or

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\* Any reader of this book who is versed in economics is advised to turn at once to Part II, which presents the author's value theory; since that is the part which, if any, would be of interest to such a reader.

of native incapacity, of enforced idleness, precariousness of work, and meagerness of compensation, especially in the case of unskilled labor. Contemplating this widespread suffering, these large-souled humanitarian men took thought and set about enquiring the cause, and endeavored to find remedy and means of betterment. To this class unquestionably both Adam Smith and John Stuart Mill belong; for, though they may not have made any explicit statement to that effect, yet, it seems to me that a distinct undertone runs through their books, indicating a strong desire to be helpful; to improve conditions; to abate evils and errors which result in human suffering; and to assist in bringing about a nearer approximation to economic justice than obtained in their day. Besides being economists, both were moral philosophers and writers on morals; Adam Smith being a teacher of such, as Professor of Moral Philosophy in Glasgow University.

In this class of humanitarians can also be listed several American economists. Among these is Henry C. Carey, author of *Principles of Social Science*, on almost every page of which can be noticed his intense desire to teach that which he believes essential to human welfare. This is admirably expressed in the preface to the one volume manual, into which his three volume work has been condensed by Kate McKean (1864). This, in part, reads as follows:

“Why do misery and crime exist? Why when so large a portion of the earth is yet unoccupied are human beings suffering for food, and

crowded together in unwholesome dens, to the sacrifice of decency, comfort and health? Why does one nation export food of which its own members are in need, while another sends its manufactures throughout the world although hundreds at home are scarcely clothed? Why are nations and individuals seen elbowing each other, so to speak, for room to live? Why are we called on to see everywhere an uneasy jealousy among communities, each watching with an unfriendly eye the expansion of the other—the strong ever encroaching upon the rights of the weak? Why should the chief European nations wage a ceaseless warfare against the industry and prosperity of the world at large? In short, what is the cause of the measureless woe that exists in this fair world which the Creator pronounced to be very good?”

“Who that has ever reflected upon human affairs has not asked himself these questions, has not at some period of his life sought to solve these problems? Is there no law regulating human affairs? Is there no principle, broad, simple, comprehensive, which can account for all this confusion, and reconcile these contradictions? If so, where is it to be found, to whom has it been revealed? Has the Newton of social science not yet appeared?”

Francis Wayland, Professor of Economics and Moral Philosophy, and President of Brown University, prepared a textbook in the preface of which he says: “The principles of political economy are so closely analagous to those of moral philosophy that almost every question in the one

may be argued on grounds belonging to the other."

Wayland never loses a certain moral attitude toward his subject, and he teaches it as a means to human welfare; and I mention him here in order to list him in the class of humanitarian economists.

Henry George, whom some would deny a place among economists, is another American philosopher and writer on economics who heart and soul is intent on abolishing poverty, and who sought to establish unfailing employment and general welfare by destroying monopoly ownership of land through his single tax scheme.

In the class of humanitarians also belongs Richard T. Ely, of Wisconsin University. He says, Chapter I. of his *Outline of Economics*:

"Animating the entire subject, blended of course with the love of truth for truth's sake common to all sciences, is the persistent hope that by systematic study we may eventually abolish the material poverty which deadens and dwarfs the lives of millions of our fellows. Economics is a science, but something more than a science; it is a science shot through with the infinite variety of human life, calling not only for systematic, ordered thinking, but for human sympathy, imagination, and in an unusual degree for the saving grace of common sense. . . . Satisfaction of social need, not individual profit, is the objective point of the science."

"Economics treats of man; but the supreme importance of man in the study of wealth has not always been appreciated by those who have

expounded the science. Too often they have considered man simply as a producer of wealth 'by whom' the necessities, conveniences, and luxuries of life are created, whereas the infinitely greater truth is that man is the one 'for whom' they are produced."

"We do not mean to say that the whole problem of human development is the subject of economics, but simply that manhood, rounded human development, is the goal of all social sciences, and none must consider their subject so narrowly as to exclude that object."

These brief passages from Prof. Ely's first chapter clearly indicate his humanitarian attitude, and his idea as to the scope of economics and its function in the life of mankind; and this puts him in the class of economists that I speak of as humanitarians, as distinguished from the class that might be called materialistic, if not mammonistic, as putting things above men, and wealth above welfare. This latter class seems to consider it of the highest importance for a nation to figure large in financial and economic statistics; to secure important trade concessions in distant lands; to hold great quantities of foreign securities; and, especially, to capture and dominate a large share of foreign markets, in order that wealth may accumulate, though men decay; forgetful of the fact that such a land fares ill, as the lamented Oliver Goldsmith declared.

As examples of this class of economists I would mention F. A. Walker, who, in his *Political Economy*, Briefer Course, Chapter I., says: "Political Economy has to do with no other subject what-

ever than wealth. The economist may also be a social philosopher, a moralist, or a statesman; but not on that account should the several subjects be confounded" (page 7). "All those things which some economists have called intellectual capital, and those which by analogy might be called physical capital, are to be excluded from the category of wealth. These have seemed to be things so desirable in themselves, so much to be preferred in any right view of human welfare, that excellent writers have not been able to bring themselves to leave them out of the field of economics. But political economy is the science, not of welfare, but of wealth" (page 10). "It cannot too strongly be insisted on, that the economist, as such, has nothing to do with the question, what men had better do; how nations should be governed; or what regulations should be made for their mutual intercourse" (page 16). "Great confusion has been engendered by writers on economics wandering off into discussions of political equity. The economist, as such, has nothing to do with the question whether existing institutions, or laws, or customs, are right or wrong. His only concern with them is how they do, in fact, affect the production and distribution of wealth" (page 17).

These excerpts sufficiently indicate Mr. Walker's viewpoint as to the scope and function of economics, and a like attitude of mind is evidenced by Prof. J. L. Laughlin in the textbook on economics which he prepared for his classes, and which is a revision and condensation of Mill's *Principles of Political Economy*. This



revision was published in 1884, and in it Professor Laughlin seems to take particular pains to correct the supposedly mistaken humanitarian attitude of Mill. But in some of Laughlin's later writings, notably in his little volume entitled "Latter Day Problems," published 1909, his own attitude is changed very much toward a distinctly humanitarian leaning.

The greater number of English economists, especially of the "laissez faire" school, Senior, Fawcett, McCulloch, Mallock, all maintain an attitude of indifference and aloofness from humane reform ideas, as having no connection with economics; and they have formulated that "dismal" science against which Ruskin and Carlyle thundered their denunciations. Carlyle, in *Past and Present*, Book III, chap. 9, p. 228, says: "The saddest news is that we should find our national existence depend upon our selling manufactured cotton at a farthing an ell cheaper than any other people; a most narrow stand for a great nation to base itself on. Think of a nation which fancies it must die if it do not undersell all other nations to the end of the world!" And on page 326: "It is for others to know in what specific ways it may be possible to interfere, with time-bills, factory-bills, and other such legislation, between workers and employers; the present editor (Carlyle) knows not; he knows only and sees, what all men are beginning to see, that legislative interferences, quite a number, are indispensable, that the lawless anarchy of supply and demand can no longer be tolerated." See also Ruskin's "Unto this Last".

I have begun this essay by pointing out that at the very threshold of the science, at the initial question: what is it about, and for what purpose, economists are a house divided against itself. And in chapter II, I shall show that on the question of value economists are very much at sea; so much, that several have openly declared the value question to be an unsolved problem. Since this essay must be brief, and mainly devoted to a discussion of what I have termed a rational theory of value, which is presented in Part II, I will here but lightly touch on several fundamental errors which have more or less direct connection with current theories of value. My contention is that present value concepts and theories are incomplete, and wholly inadequate for making them what they should be—the basis and foundation of the entire economic science. This insufficiency of the generally accepted value concepts is due, I contend, to several fundamental errors; and to false ideas concerning the relations of man to man, the rights and duties of individuals, and the claims and duties of society. These errors and false notions have naturally been shared by writers on economics, and are reflected in their value concepts. But be it remembered that much of what we of today speak of as errors and false ideas, in times past was accepted as truth and as sound sense, and in one way indeed was such. It is today a mere commonplace to say that in the passage of time, along with industrial, political, and intellectual progress, the human race undergoes a continuous change of viewpoint; change in its sense of right and

wrong; and in its general notions as to man's place in nature, as well as to his place in the social fabric. Summing up the total of sentiments, ideals, desires, beliefs, aspirations, and aims of any given time and place, and calling that the spirit of that age or time, all individuals living at such time and place are largely dominated by that spirit; especially is the written thought marked by the spirit of its respective age, at least that part of the written thought which finds acceptance and currency. And naturally the writers on economics were, generally speaking, influenced by, and reflect this spirit of their age in their theory of value, as well as in their economics in general. No value theory, evolved under the influence of a society based on slave labor, could prove acceptable in a free labor, or wage labor, age. The undisputed private ownership of land gives a basis for rent, and for a theory of rent, and affects current theories of value; but the rent theory will collapse, and value theories will be modified, should private ownership of land be abolished or materially restricted. No theory of value can obtain currency or force if it conflicts with general notions and customs; it must accord with the spirit of its age.

The value theory that I shall here present could not possibly have been accepted before these latter days, and it remains to be seen whether the times are now ripe for its acceptance. I hope so, for I verily believe that economic, intellectual and moral progress is halted because of the absence of a true and socially vitalizing theory of value. Moreover, political economy is today without an

undisputed theory of value; confessedly, value is still a disputed question among economists, and by some acknowledged as an unsolved problem.

To solve this problem, and to point out erroneous premises which hinder the solution of this problem, is the task I have undertaken in this essay. The first of these false premises, that economics has nothing to do with welfare but only deals with wealth and nothing else than wealth, has already in part been discussed; and it was pointed out that here, right at the beginning of the study, there is dispute and disagreement among present as well as among past teachers of economics, depending upon the personal leaning and viewpoint of the respective writers. This divergence of opinion shows that, strictly speaking, economics is not a science; that its dicta are expressions of opinions, rather than of proven or provable facts; and that it is called a science by courtesy and for convenience. It is a study and discussion of theories rather than a science. Economics is not in the class of exact sciences like mathematics, chemistry, and physics, the propositions of which can be proven on the blackboard or demonstrated by experiments in the laboratory. The most that can be done with the propositions of economics is to reason them out to a convincing degree of self-evidency, such as will satisfy the average intelligence; and any subsequent experiment requires the consent of whole communities, and usually takes decades of time to prove out. It is therefore quite natural that the opinions of economists should vary, and vary widely, according to personal idiosyncrasy; and it would

consequently be foolish to judge harshly of economists. And since in the nature of the case I shall have to criticize their reasoning and reject many of their conclusions, I take occasion here to declare that I hold these men in as high regard as any other set of men who have labored and spoken according to their best knowledge and belief; and that nothing I may have to set down against their teaching is set down in a spirit of personal detraction, but solely to combat what I claim to be erroneous belief.

Let us resume then the discussion of what is, in reason and common sense, the true scope and purpose of economics. This is so admirably set forth by Professor Ely in Chapter I. of his *Outline of Economics*, from which I have quoted a few passages, that I feel unable to add anything worth while to what he there has said. But it would hardly be proper here to reproduce that entire chapter; and inasmuch as some readers of this essay may not have ready access to Professor Ely's work, I shall, in my own way, present such arguments as are at my command, to convince them that those who declare that economics has nothing to do with welfare but only deals with wealth are wrong; that they start wrong, at the very beginning of their inquiry, and that they necessarily must end with various erroneous conclusions.

For whom are houses built; roads and streets made; ships, railroads and bridges built; crops sown and harvested; schools, libraries, and other institutions established? These questions answer themselves. It is evident to the commonest intel-

ligence that all these works of man are for man, for his use and benefit; to give him food, clothing, shelter, comforts, education and recreation.\* And if, because of some hitch in the social mechanism, these things, the constituents of wealth, at some points accumulate to a glut; and if this excess of wealth condemns the very producers of that wealth to unemployment and consequent want and distress, that simply shows how badly economists have blundered. It shows how poorly they have done their work, how they have been groping in the dark, and how they have failed to teach the world sane and wise economics.

The opinion that things constitute a consideration superior to man, superior at least to the common man, the lower ranks of laborers; that the things of wealth, in absolute and unquestioned control of private owners, must be and are the foremost consideration, regardless of public welfare or distress; such an opinion can be accounted for only on the ground that men have been in the habit of beholding just that state of affairs for many generations, and therefore could not believe that anything else was possible. The land and its yield belonged to the king, the nobles, the squire or other proprietor; and these exercised an unquestioned right to dispose of the crops as they thought best for their own interest or pleasure; so also did the manufacturer and the merchant with their wares. The welfare of the populace was a matter of small concern; the

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\* Even religion and the church is for man. Jesus said: The Sabbath was made for man, and not man for the Sabbath. Mark 2:27.

utmost that was considered feasible in their behalf was the establishment of almshouses. But to increase the wealth of kings and proprietors, and the profits of manufacturers and merchants, that engaged the thought and attention of early economists; and some present day ones have not outgrown that mental attitude. Possibly this despotism of private ownership and private interest was an historical necessity; was the right thing at the right time; right because necessary; right because comporting with the then existing state of general human development. But right no longer than necessary; and necessary no longer than till general human development reaches a stage where man is fit for cooperation, for brotherliness instead of antagonism, fit, in a word, for the cooperative commonwealth.

I quote here, as bearing upon this particular thought, a passage from Mill, *Principles of Political Economy*, p. 19: "It often happens that the universal belief of one age of mankind—a belief from which no one was, nor without an extraordinary effort of genius and courage could, at that time be free—becomes to a subsequent age so palpable an absurdity, that the difficulty then is to imagine how such a thing could ever have appeared credible."

But I shall not pursue this line of thought further; suffice it to say that the true philosopher and teacher of mankind is not content to describe things as they are, but labors to reason out how things ought to be. Likewise, the forward looking economist will not merely describe the economics that was and that is, but also the econom-

ics that ought to be and will be; and he who puts men above things, and welfare above wealth, that economist has his face set in a direction which unquestionably is the right one.

Besides this initial error of a false idea as to the scope and mission of political economy, there are several other errors, shared in greater or less degree by practically all accredited economists, errors, which have more or less of a bearing upon their value concepts and their theories of value; inasmuch as the value theory of any economist is built up of and embodies most of his fundamental economic notions. Some of these errors connect closely with the initial one regarding the proper function of economics; others, pertaining to wages, capital, labor, supply and demand, are of a class that I call half-truths, being made up part of truth and part of error, and which, just because they contain partial truths, are the more perverse, since they mislead men into accepting them as complete truths. Looking back at the early economists of the eighteenth century, it seems that they assumed the economic and social conditions of their time to be fixed and unchangeable. They described and explained things as they found them; and it did not occur to them to describe things as they might be improved, and how conditions might be made better, juster, and humaner for the lowly masses. Hence their so-called science became largely an attempt to justify as necessary and inevitable all social wrongs, oppressions, and despotisms. The absolute despotism of kings and nobles was accepted as natural and inevitable. And when later the despotism



of aristocracy was superseded by the despotism of wealth, of private ownership of natural resources, the despotism of private control of the means of life and labor, then this was also accepted as natural and necessary; and all the evil consequences to the disinherited masses, engendered thereby, were likewise apologized for as inevitable and beyond remedy. And we see that especially the so-called orthodox *laissez faire* school of economists of the nineteenth century were mainly busy with explaining as unavoidable all the industrial misery of their time; the poverty and wretchedness of the lowly toilers on farm and field, in mill and mine; their starvation wages; their slum habitations; and the toil slavery of their women and children. Economists apologized for all these things as being inevitable, and therefore justified; and also as necessary for the commercial prosperity and glory of England, since she was by these means able to undersell other nations in the markets of the world. This reprehensible work of economists is a direct outgrowth and consequence of the false idea of putting wealth above welfare, and things above men, instead of making man and his welfare the end and aim of all work and effort, of all knowledge and philosophy. And economists who fail to do this, who mistakenly follow the opposite course, thinking thereby to give their subject a truly scientific character, merely prove themselves to be blindly groping pedants; and the probability is that they may soon find themselves and their alleged science relegated to the limbo of things discarded and forgotten.

Another error, coincident with the foregoing, was the supercilious mental attitude of the educated and the ruling classes toward the common man and the laborer. What rights had these a claim to anyhow, in society and in life? To what consideration, if any, were they entitled? What were they here for on this earth? Owing to their numbers, their interests should have had first place in the consideration of public policy and endeavor; but it was not even conceded that they might claim to be here for their own sake and for their own welfare. They are here to provide soldiers, thought the rulers. They are here to produce wealth, subsistence and luxuries for us, said the land owners, the bankers and the captains of industry and their spokesmen, the orthodox economists. They were regarded by economists as producers of wealth with much the same feeling and consideration with which a farmer regards his pigs as producers of pork. Even the best of economists, such well-meaning men as Adam Smith and J. S. Mill, in their reasoning treated the laborer as a commodity. Perhaps they did this somewhat unconsciously, but they did so none the less when using the terms "labor" and "laborers" synonymously. Mill, in his "Principles," p. 554, has this statement: "There are commodities which, though being capable of increase and decrease to a great extent, their value always depends upon demand and supply. This is the case in particular with the commodity labor." When speaking of the supply or increase of labor, they mean the supply or increase of laborers, of men. These two, labor,

the activity, and the laborer, he who exerts that activity, are so conjoined they cannot be separated in actual life, and they are so identical in economic reasoning, that when you make a commodity of one, the other becomes a commodity also.

By making labor, and with it the laborer, a commodity, economists have in their reasoning reduced the laborer to a thing, a soul-less, will-less thing; or, at best, a mere work animal without selfhood and conscious life purpose; a creature to be used and directed by others as they see fit, and as suits their advantage. I said economists have in their reasoning reduced the laborer to this; perhaps it would be more correct to say that they found him thus, and that they left him so, as far as their science is concerned. They assigned to the laborer's life hardly anything beyond this: to work, eat, sleep, and to propagate his species, so as to keep up the supply of laborers somewhat in excess of the actual need; and they deduced a law of subsistence wages, the so-called "iron law of wages," which was supposed to cut off, automatically, the excess supply of laborers, by a process of slow starvation. I do not know whether, as an actual fact, men in any great number were ever reduced to such a low standard of life as these economists would make us believe is the natural and inevitable level to which competition and economic self-adjustment must necessarily bring the laborers. Perhaps the conditions in England during the first half of the nineteenth century were largely so, as this seems indicated by various utterances in the

literature of that time; such as: Hood's Song of the Shirt, Shelly's To the Men of England, Tennyson's Maud; by novelists like Dickens; and by essayists like Ruskin and Carlyle, who scathingly criticized the political economy of their day, which knew no remedy and which called these conditions inevitable. But, certainly, in no Anglo-Saxon country do any such conditions obtain today, nor in any of the advanced European countries; and any political economy which assumes this bare subsistence as a law of wages, and on such a labor cost bases its theory of value, I hold is utterly absurd, and absolutely out of date.

We find then that the economics of those days was merely descriptive of what it saw, rather than instructive as to better ways and better things that might be; that the advance made by man in his economic condition was made without help from this alleged science, made rather in spite of the political economy of that period and the pronouncements of its professors and teachers. If political economy cannot instruct the race how to establish general welfare; how to eradicate that socio-economic disease poverty; but only can describe it and tell us it is here, then of what use is it? It must stand as discredited as would stand a medical science which did not endeavor to cure disease, but was content merely to describe it.

While the Malthusian theory of a bare subsistence condition for labor is contrary to the general facts of human life in modern times, and repugnant to reason when presented as a funda-

mental principle in economics, as something natural and unalterable, it is none the less a partial truth; and it has withstood all the fierce attacks made upon it on the mistaken assumption that it was wholly false. The trouble was that the opponents of this theory, that population tends to outrun subsistence, did not realize that it was a contingent truth; that it contains elements of truth as well as of error. And instead of separating the true from the false, they wasted their words in vain attempts to disprove it in toto, largely on sentimental and religious grounds. For, granting the assumed premises of the Malthusian theory, that the mass of men exist on a plane of life like unto an animal, to eat, sleep, and to gratify their sexual impulses, regardless of consequences; and that as a result they propagate and increase in numbers to the maximum bearing capacity of their females; granting these premises, the Malthusian conclusion, that the number of men will tend to exceed the sources of subsistence is undeniably true. This is true at least in all countries outside the tropics, in the very countries and nations for whom the science of economics was formulated. But the moment these premises are proven to be false, or proven to be no longer true, that moment the Malthusian subsistence and population theory with all its attendant consequences falls to the ground. Now I contend that these premises have largely ceased to exist as an actual and general fact of human life, and that they are disappearing more and more from day to day; hence, the Malthusian theory of population and subsistence limit has

become obsolete, has lost validity; and with this has been lost the basis of some of the fundamental ideas of conventional political economy.

It is pertinent to remark, in connection with the elimination of the premises upon which the Malthusian theory rests, that economists, as such, are guilty of a sin of omission; inasmuch as they have done nothing, as far as I have been able to discover, toward promoting that elimination, in any direct and courageous way, such as would become teachers and leaders in human progress. It is true, they have declared that excessive numbers of laborers cause low wages, and a low value of labor, because of the excessive supply; but this has been done more in justification of low wages, rather than as a warning to laborers to keep down their number. I am not aware of any economist who has advocated restriction of immigration, import of laborers; rather they all advocate mobility of labor. It should flow readily to such places and to such employments where wages are higher, they say, unmindful of the fact, that, according to their own reasoning, such an influx of labor would depress wages in those places and employments. While they vaguely hint at the imprudence of a high birth rate, none of them distinctly advises a birth rate controlled by deliberate, preventive means. The gratuitous advice to the lower orders to restrain the increase of their numbers by practicing sexual abstinence is as useless and as silly as it would be to tell them to meet a food shortage by eating only one meal a week. It may be noted, however, that a controlled birth

rate is becoming the practice in all leading countries, especially among the more enlightened classes in those countries; and the time is perhaps not distant when political economy will have to fall in line and take a definite stand on this very important detail of general human welfare, as well as one on the related question of immigration restriction.

Closely connected with the false notion considered in the foregoing paragraphs, the notion that classes labor as a commodity and reduces the laborer to a mere thing, is another false notion, and a false mental attitude toward the laboring masses on the part of their advisers and would-be friends, a sort of patronizing master and servant attitude. I do not assert that recognized economists hold such an attitude; it is true rather of the acrimonious critics of conventional and accepted economics, such as Ruskin and Carlyle, and is shown in their rather phantastic exhortations. The proposals of Ruskin and Carlyle, if the latter can be said to have submitted proposals, are distinctly characterized by a patriarchal master and servant sentiment. Both take the master class, the rulers of political, financial and business affairs, to task, for not assuming a patriarchal and providential attitude toward the laborers; and for not shouldering responsibility for their maintenance the year round, at some employment, profitable or unprofitable, and if necessary at a bare subsistence wage. At the same time they exhort the laborers to humble contentment with whatever lot fate or God Almighty has appointed them. This notion is closely

akin to the wages fund fallacy; and while this notion is preferable to the utter indifference of the thoroughgoing laissez faire economist, it is distinctly at variance with the democratic spirit of today, a spirit which even in the days of Ruskin and Carlyle was strongly in evidence, and which is gaining force every passing year; a spirit whose very essence is the feeling that one man is as good as the other; and that he has an unquestionable right to an equal standing before the law and before the ruler of destiny. Imbued with this spirit, no man worthy the name is willing to stand before another man as a mendicant and an object of charity, as a beggar for leave to work; the more so, as the impression is daily gaining ground that this other man is a despoiler and a parasite upon the one who is expected humbly to ask for employment.

The thought that the laboring poor are of necessity and in the nature of things beholden to the well-to-do for work is part and parcel of the wages fund theory; a theory, that it is the possessing class, the landowners and the possessors of much money, that it is these who furnish employment for the masses, as well as the necessary capital for such employment, the wages fund. I have referred to this as a fallacy, and I shall briefly point out that while there is some truth in this theory it is but a half truth; and, as such, it is even more harmful than a complete fallacy, inasmuch as men have accepted it as wholly true, and have based economic beliefs on this foundation. It is true that permission to till the soil for the raising of food, granted



upon the condition of a tribute called rent, then as in our day, depends upon the readiness and consent of the landowner. And considering that such owner often furnished seed, implements, live stock, and housing, and in many cases directed and supervised the labor of tillage, it was quite natural to look upon the landlord as the one who provides employment for the farm laborer. But when in the course of time "the thoughts of men are widened" and the propriety of private ownership of land is called in question; when it is asked in all seriousness: does private ownership of land any longer conduce to human welfare; also, how and in what manner did these men or their ancestors secure title to these lands; and are not these lands in all reason the common heritage of the race, then the landlord will be seen as a supernumerary, and no one will credit him with furnishing employment for labor. He will disappear from the stage of life and from the pages of economic textbooks, and also from the reasonings of economists as a factor in value determinations.

In similar manner it can be shown that the commonly accepted maxims of economists, that capital is the result of the capitalist's abstinence; and that capitalists provide a wages fund and thus furnish labor with employment, and that this employment is limited by the amount of available capital; these, it can be shown, are half truths, containing much undeniable truth, but also a great deal of error. And these maxims become more pronouncedly false, as men develop

into greater fitness for a higher and more orderly state of society.

It is true that some capital is the result of saving and abstinence on the part of the owner. But this is by no means true of the accumulations from profitable deals and speculative manipulations, of excessively large fees or salaries and the profits from stock or rental property, from which the holder may "save" capital without abstinence on his part in any true sense of the word. In so far as any abstinence is involved in such cases, that abstinence is practiced by proxies, by those who pay the large fees, salaries, or profits, or upon whose labor such profits are made. It is true that, downright robbery excluded, no nation or community can accumulate capital except by saving, by abstaining from consuming all the wealth it produces. Stating this in other words, no nation can accumulate capital unless a considerable part of its active labor is devoted to the production of tools, machinery, appliances, transportation facilities, etc., so-called capital goods, as distinguished from consumption goods; the latter being such as are immediately or shortly consumed, mainly food and clothing, daily or yearly necessities and luxuries. All this is true, but it is absurd and utterly false therefore to conclude that all existing capital is the result of saving and abstinence on the part of the present owners, and that no capital could be accumulated and become available, except by promising the rewards of interest, rent and profit, as an inducement for private individuals to abstain and to save. It shall not be denied that

this has been an effective motive in the past, as well as being so today, for abstaining, and thus making available necessary funds of capital. This is the economics of the past and of the present. But the economics of the future discerns the possibility of providing necessary capital funds by community abstinence and saving, instead of by individual savers; whence also the fruits of that saving will redound to the community instead of to private individuals, whatever form that fruitage in the development of things may take.

As a matter of fact, community abstinence and saving has already for a long time been operative in the form of certain taxes and assessments for public improvements; such as sewers, streets, parks, bridges, harbors, and for schools. Interest bearing bonds are often issued, more quickly to raise the funds for such purposes. These bonds, upon which the holders have advanced money to the community, that is, capital, subsistence fund, or wages fund if you wish to call it that, will have to be redeemed; that is, the loan has to be repaid at maturity, and interest payments have to be made at stated intervals; and the money for such interest as well as for final repayment of the loan is raised by taxation of the community; this implies abstinence, saving, renunciation, on the part of the taxpayer. It is no wild dream to assume that in the near future communities will endeavor to raise this money, this capital, by the required taxation in the first place; instead of borrowing from bondholders, then pay interest for a term of years, and finally

repay the capital, for which it has to tax itself just the same. And going a step further, we may consider the time not far distant when systems of taxation may be devised that will enable communities to tax themselves, or rather their productive labor, so as to provide the necessary capital for the maintenance and improvement of means of production and distribution, without the interposition of private capitalists requiring the payment of interest. In that day the assertion that all capital is the result of the individual owner's abstinence and saving, will no longer pass as an axiomatic truth of economics, but will take its place as ancient history. And even more emphatically will this be the case with the whole wages fund doctrine, with the statement that it is the capitalist who furnishes employment for labor, and that this employment is limited by the amount of available capital.

It is true, that up to the present, large enterprises could not have been undertaken but for the subsistence fund, or wages fund, furnished by so-called capitalists, unless the state or city as such would undertake these enterprises; and for that the state has not as yet developed sufficient fitness, as a general thing.

In the gathering, or raising of, this capital, and thus making it available, the private capitalist has performed a real and an important sociological function, though he may not in any appreciable measure have practiced abstinence himself, but rather done his saving by proxy; imposed the abstinence, as it were, upon the lower orders. Yet, he was instrumental in having the saving

done, and so fulfilled a function in society, and in a sense did, by virtue of this assembled capital, furnish a certain amount of employment for labor. But it is utterly false therefore to conclude that the capitalist in this way furnishes all employment, and pays all the wages of labor, as conventional economists say, and perhaps believe, or at least teach.

It is the ultimate consumer who furnishes all employment and who, generally speaking, pays all wages; he it is who, in the final analysis, pays even the wages that were first advanced from a wages fund used in establishing new enterprises, as well as the wages of much of the unproductive labor performed by or for the so-called economic parasites. When once a manufacturing establishment, a railroad, street car enterprise, or what not, has become a going concern, its income is derived from the traveler, shipper, or other ultimate consumer, and flows in a constant stream into the coffers of such a concern; and from this all wages, salaries, and expenses are paid, as well as repayment made of much of the original investment, if not all. Precisely so, and much more fully so, is this the case with mere buying and selling enterprises. It is the ultimate consumer who sustains them all. And who is the ultimate consumer? Why, every man, woman, and child in this world is of necessity a consumer; a consumer all his days, and in a way a consumer even before birth and also after death, in that he occasions employment for coffin maker and for grave digger. In a small measure is it true that capital, the accumulated savings, furnishes

employment, and in a large measure is it false; and upon this false assumption, serving as a fundamental axiom, an essentially false political economy has been built up.

But some economists may say: the mere fact that an individual desires to consume things does not make him a consumer in the economic meaning of that word; he must be an effective consumer, a purchaser; if he has no purchasing power, he has no standing in economic reasoning. Precisely so, and why may he be without purchasing power? Just because the false economic conditions that rule in the world today have stripped him of a large part of that purchasing power, by often denying him employment, and by denying him just remuneration when he is employed. And this denial of employment is brought about by permitting land and other natural resources to be monopolized and controlled as private property, in consequence of which employment itself has largely become a monopoly, controlled by the possessing classes; and employment is managed as the interests of these owners and controllers dictate, regardless of how illy the disinherited masses may fare. And this is the great sin of orthodox political economy; instead of casting about for a remedy for these evils, it is content to justify them in the name of science, as being natural and unavoidable.

But it is not intended in this brief treatise to examine at length the various fundamental errors, which in the present writer's opinion largely invalidate the whole so-called science of economics, as conventionally taught in the schools; such a

work lies beyond his ambition. My purpose is to examine the current value theories, to demonstrate their inadequacy and their failure to serve as a basis for economic thought; and then to present for the consideration of competent critics, what I conceive to be a true and workable theory of value. A theory, which, if accepted, will not only revolutionize economic thought, but will also settle most of the difficulties and controversial differences that now beset the science; and which at the same time offers a solution for many of the political and economic problems that vex our age, that give occasion for industrial strife in every civilized country, and that even cause nations to engage in war.

The all-pervading question of *mine* and *thine* reduces in economics to a question of value, a question of exchange ratio—at what ratio shall my labor exchange for thine? Until this question is answered satisfactorily, fairly, and as justly as limited human wisdom may be able to answer, until then, there is no science of political economy worthy the name of science. To answer that question is the task the writer of this treatise has attempted. And to pave the way for such answer, it has been necessary briefly to call attention, not only to the dissensions in the ranks of economists, but also to what I consider fundamental errors. As stated above, it lies beyond the scope of this little book to review the entire field of economics; and there are certain departments that I shall not discuss at all. A slight reference to some of these may be made, merely in an incidental way; they are not

essential to the subject of the present treatise. Under this head comes the subject of money as a medium of exchange. The subject of this treatise is the origin, nature, and essence of value, and its quantitative determination. The media of exchange, which convenience may dictate, as well as the conventional standards, money standards, in which everyday life expresses value, are matters for later consideration; and with these I do not propose to deal, nor with the question of foreign trade and liquidation. These are subsequent details; the primary questions are: what is value, how does it arise, what creates it, causes it, produces it, constitutes it, and how is it determined quantitatively. This will be discussed at length in Part II.

It remains here but to remark that the proposed value theory is independent of socialistic forms of society; if true, it is true under private ownership of capital as under collective ownership; true along with the existence of private property in land or without; true irrespective of interest, and rent. The writer shall make no attempt to deny his socialistic predilection, nor deny that socialist sentiment should incline a reader to accept the author's value theory as a true one and a salutary one, while individualistic conservatism will of necessity strongly prejudice against it. But whether the world is ripe for a greater measure of collectivism, or whether it shall be found that the human race is not ready for such, and must yet a while endure under the regime of competitive individualism, this theory of value should in either case appeal to



the growing sense of democracy manifest in all the world; to the sense of fairness and the desire for truth and for social justice, which is the hope and encouragement of all well-meaning and clear-thinking men.

Considering that all the foregoing is introductory to a promised theory of value, and that a large part of the next chapter will be of an introductory nature, the reader may become wearied of all this introductory matter and impatiently ask for a statement of this theory. I think it advisable therefore to close this chapter with the following proposition, which concretely embodies my value theory:

Equal pay, hour for hour, for all kinds of useful work of standard efficiency, male or female.

This is a demand which I formulated a few years ago, and which I have never seen as part of any radical platform. Its absence from these is an indication that the makers of these platforms had no adequate value concepts to give expression to. They have much to say about giving the laborer a just reward, some say the full value of his toil, or a full return for the value he creates; but they give no hint as to how that value is to be determined, otherwise than by the haphazard and unjust methods of supply and demand that are accepted or assumed in the economics of today; methods that can neither establish industrial justice, nor bring industrial peace. To supply this need, to give such answer, is the purpose of this little book.

## PART II.

### VALUE.

#### CHAPTER II.

#### GENERAL VALUE NOTIONS. ANDERSON AND DAVENPORT ON VALUE.

What is value? How is value determined? These are questions which for many years have occupied my attention, not only occupied, but greatly puzzled me; since no thinking man or woman can fail to see that the value-estimates which rule in human affairs are, generally speaking, strangely absurd, as well as grossly unjust; especially in regard to valuation of different kinds of human labor, and compensation allowed for the same. That the severest and most burdensome toil has had put upon it the lowest value estimate, and consequently has received the meagrest compensation, while merely ornamental, or doubtful, and even harmful activities, have been amply rewarded, this is a commonplace, repeated, over and over again, both in economic and in general literature, not to speak of reform literature. Realizing the unfairness and injustice of the value estimates that the world in general has been in the habit of accepting, and has consented to live under, I gave that subject much thought, and I arrived at several conclusions. First, that the value estimate put upon things is, in the final analysis, a value estimate put upon

labor. For inasmuch as things, commodities, are labor products, it follows that the value estimate put upon various commodities really is a value estimate put upon various kinds of labor that produced these commodities. Secondly, I arrived at the conclusion that justice and fairness demands that that labor which is the most severe and burdensome, which, in the language of modern economists, involves the greatest amount of labor pain, should be the more highly compensated, if any difference of compensation is to be allowed.

Why is it, for instance, that upon a bushel of wheat, society, or the "world," puts a value estimate of 50 cents, 75 cents, or one dollar perhaps, (I am speaking of prewar times) an estimate which, according to statements made at recent farmers' conventions, puts upon the farmer's work a labor value of about one dollar a day. And this is a labor of the utmost importance, a labor absolutely essential to human existence; but the work of some windy go-between, whose activity results mainly in diverting business from Mr. A to Mr. B, is four and five times as highly compensated. The coal miner in this country has until recently been one of the poorest paid laborers, notwithstanding the fact that the product of his labor constitutes one of the prime necessities of life, and that his work is perhaps the most burdensome known to man and the most dangerous to life; while many other occupations, much lighter and less disagreeable, have been more highly compensated, partly because of custom, and partly because backed by a powerful organi-

zation. Why can this be? What principle or power operates to establish such unfair valuations? I concluded there was no principle involved at all; at best only a convention or a traditional custom, masquerading as principle, or as an economic law, designated by ordinary political economy as the law of supply and demand. I further arrived at the conclusion that industrial disputes, often resulting in riot and bloodshed, disputes that nominally center about wages and length of workday, really are disputes about the value estimate to be put upon an hour's labor in the trade or occupation involved in such strikes. Whence it follows: that if a value estimate could be established that would appeal to the sense of justice and fairness of all men, one that would satisfy and be generally accepted by the civilized world, then there would be an end to industrial strife within the various countries; and the foreign commercial policies of these countries would be so influenced as to remove largely, if not wholly, the incentive to war between nations. Furthermore, I became convinced that a rational theory of value, based on sane and true value estimates of all labor and labor-products, and a political economy built upon such a theory of value, and expressed in the national life, in the economic institutions, and in the industrial activities of a country, would effectually prevent the industrial deadlocks, known as panics or business depressions, which periodically afflict present-day society with their attendant aggravation of unemployment and consequent misery. For I contend, that an industrial policy and practice founded

on a true evaluation of all the products of labor and of the labor itself would establish a commensurate flow of purchasing power back to the original producers, so as to make relative overproduction and consequent stagnation and unemployment impossible. Believing this, I felt that such a value theory, properly formulated and elucidated, constitutes a message to the world, which duty bids the possessor thereof to deliver, though doing so may involve personal sacrifice and loss.

That feeling of duty has for the last few years pressed upon me with increasing force. Ordinary sense and prudence, however, bade me ascertain what other men have thought and said on this subject of value, and especially to ascertain what accredited economists had to say concerning value. I was not aware of the vagueness of current value theories, nor of the controversies and conflicting opinions concerning value, that obtain among economists. It is true, I had in my school days taken a light course in political economy, the textbook being Walker's Briefer Course. I had also many years ago read another book on political economy, but neither of these books had at the time made any distinct impression on my mind in regard to value theories. I therefore had recourse to the public library, and the first volume I took up, attracted by its title, was "Social Value," a Hart, Schaffner & Marx prize essay by B. M. Anderson, Ph. D., Instructor in Political Economy at Columbia University. I was somewhat astonished to read in the author's prefacing note the following statement: "The problem of value forced itself upon

me in the course of my teaching. My students seemed to understand the treatment of value in the textbooks used quite clearly, but I could never convince myself that I understood it, and the conviction grew upon me that the value problem really remained unsolved. Hence this book."

Professor Anderson's book is of rather recent date, May, 1911. It covers nearly two hundred pages, and evidences on the part of the author wide economic reading and study. He reviews the whole field of recent economic writing, in a persistent search for a true and consistent theory of value; and he is much impressed by and gives credit to what he calls the Austrian school of economists and their subjective value imputations, including the marginal utility and value idea. He is likewise appreciative of more recent interpreters of these ideas and their investigations along this line of inquiry. But he rejects the results of their efforts as unsatisfactory and inconclusive, and in the end, as it seems to me, he offers nothing substantial and tangible himself. So vague and abstruse is the presentation of his own value theory that I had much difficulty in finding it, but finally concluded that Professor Anderson's value theory is wrapped up in a page and a half of technical disquisition (pp. 185-86) to this effect, that the value theory must be derived from, and presupposes, a price theory. This is stated more briefly on p. 192: "The theory of value, as I conceive it, is, then, not a substitute for detailed price-analysis, but rather a presupposition of it. The theory of value is to interpret, validate, and guide the theory

of prices." Here it seems he makes the value-theory a presupposition, while on page 184 price-concept is the presupposition: "The conception of abstract units of value therefore is an abstraction from the price conception and presupposes it."

Professor Anderson does a great deal of theorizing on the subject of value, but I cannot see that he submits anything definite and clean cut that I could call a theory of value. Whatever he may have had in mind, I confess I got from his book no light on the value problem. All it did for me was to certify to the great diversity of opinion, the vast controversial literature, and the general vagueness and confusion that obtain in the realm of economics, especially in regard to the value problem. This, together with the confession that the value problem to date remains unsolved, is what I got from Professor Anderson's book.

Four economists are reviewed at considerable length in Professor Anderson's book: Clark, Seligman, Wieser, and Davenport. The latter is the author of several books on economics, one of which, "Value and Distribution," a volume of 575 pages, is a critical study dealing with the value problem, and this book is also of comparatively recent date, 1908. A brief note of dedication to J. L. Laughlin, certifies once more to the controversies and to the divergence of opinions held by economists in regard to the problem of value, by the following statement: "In a field so controversial, as this of value-doctrine, identity of interest is no pledge of agreement; much therefore in the following pages must fail

to command your acquiescence." Professor Davenport states in the preface that he has emphasized opportunity cost as an element of value, and he says on page vii: "Political economy began its value theories with cost of production from the entrepreneur point of view, but wandered far afield in search of labor determinants of value, and labor standards of value measurement." And on pages viii and ix he says: "Little can be offered that is new on utility and its modern refinements; but the relativity of utility on the demand side, and cost on the supply side of the market equation, has seemed in special need of emphasis." . . . "The necessary thing has in the main seemed to be to rid the science of doctrines that do not belong to it, as labor time, labor pain, utility and marginal utility determinants of, or measures of, value."

Well, if this author has nothing new to offer, and if furthermore he proposes to discard labor time, labor pain, and utility as value determinants, then there is nothing in his 575 pages that can be of any constructive help to the present writer; for utility, labor pain, and labor time are the very things that I contend are the real factors which determine and constitute economic value, exchange value as well as use value.

However, in another way Professor Davenport's book proved interesting as well as informing to me, inasmuch as it bears witness to the controversial condition of economic science, and to the fact of an unsolved value problem. Very interesting to me is his critical examination of the value theories of many prominent economists,



finding them inadequate and unsatisfactory, and invalidated by circle-reasoning. He begins his discussion with these statements: "The scientific development of economic theory began with the attempt to solve the value problem. Almost all the early doctrine was cost doctrine in some of its varying aspects. The earlier writers interpreted cost in terms of labor, but in the detailed working out of the value problem and its further development, the notion of cost came to be presented in all its different and conflicting senses." Then he cites Adam Smith as stating that the labor of a nation is the fund that originally supplies it with the necessities and conveniences of life. This Davenport terms the labor purchase doctrine of cost (p. 8), and elucidates by further quotation from Chap. V, *Wealth of Nations*: Labor was the first price, the original purchase money paid for all things; by labor all the wealth of the world was originally purchased, and the value thereof is equal to the quantity of labor it again can purchase or command. To this Davenport objects that it holds only under a particular situation; and he argues at length that environmental opportunity enters as a factor into the productiveness of labor, and therefore becomes a factor in the value of the product. Quoting further from the same chapter of Adam Smith's *Wealth of Nations* to the effect that equal volumes of labor must be of equal value to the laborer, because he must lay down the same portion of his ease, his liberty and his happiness, Davenport sees in this a distinct enunciation of labor pain cost as the determinant of the real value of

labor. And again quoting Smith: "Labor therefore is the real measure of the exchange value of all commodities. The real price of everything, what everything really costs the man who wants to acquire it is the toil and trouble of acquiring it; what everything really is worth to the man who has acquired it is the toil and trouble it can save himself and which he can impose upon others." And on this Davenport comments, page 13: "This means that the real price or real value is always the labor of attainment; but whether this labor is conceived as in itself a value or a burden is not so clear."

Precisely here economists are groping in the dark, when they assume that labor cannot be both burden and value or value essence, value potential, but that these two attributes mutually exclude each other. That labor is a burden is quite self-evident and calls for no argument; that it also is the producer of value, the "value producing burden," is equally self-evident, and is universally admitted, and therefore a "value" may be imputed to labor, a value estimate put upon it. Both these attributes, value and burdensomeness, belong to labor, just as clearly as the two attributes of hardness and weight may belong to some one substance; and this should present no difficulty to human understanding. The difficulty of understanding this in the past, I think, roots in man's historical environment; he has in all past time seen how the possession of values has freed the possessor thereof from the burden of labor, hence value and labor burden became antithetical conceptions of the general mind. It

was seen that when a man held possession of much value, of much exchange value, of money if you please, or other exchangeable commodities, he could thereby command the labor of those who had little or none, and thus shift the labor burden of life upon those others. Hence in the minds of men value and labor burden became opposites; and to this erroneous conception is largely due the confusion in economic thought of the past, as well as of our own day, a confusion which will disappear with the acceptance of a rational theory of value.

I defer a more detailed consideration of labor as burden and value to a later page and recur to Davenport, who further quotes Adam Smith to this effect: that though labor is a real measure of exchange value of commodities, it is not labor by which the value of commodities is commonly estimated. Popular thought does not have recourse to a labor measure of value, because people estimate concrete commodities rather than abstract labor. And here Davenport remarks, page 14: "All of this means that it *is possible* to reduce labor to a homogeneous fund [quantity], but of what? Time? Evidently not. Of pain? This also will not serve. Of value? But if value depends upon and is derived from the product, then it is value that is called upon to explain value, a view which would conceive labor as receiving rather than determining value."

And again, on page 18: "It may not be clear why the common denominator for value based on labor was considered so important, but the labor measure of value seems to have been the

only one thought possible at the time. And it may be questioned whether later thought, in substituting utility for labor cost as a value determinant, has been able to do more upon the utility side than repeat the error on the cost side, namely, seeking to compare things which in their fundamental nature offer no basis for comparison. With value conceived as a mere ratio of exchange, the statement of that ratio can have no meaning for the purpose in hand, unless some common denominator has been established."

In passing I want to say that both the labor cost doctrine and the utility doctrine of value are true, but taking either by itself and excluding the other they become misleading half-truths. Labor cost and utility must be combined to constitute value, and the attempt of various schools to emphasize one to the exclusion of the other, has led to confusion of thought, and to endless controversy. I am in nowise puzzled that the labor measure of value seemed so important, and the real one, to Adam Smith and the early economists. Their postulate, that labor is the producer of all wealth and of exchangeable value, is a truth so self-evident that it was deemed all-sufficient to explain value. Later emphasis was placed upon the fact that labor might be mis-directed, or wasted, and therefore fruitless as to any resultant value; hence the equally essential condition of value, utility, was found to be as self-evidently necessary to a complete value concept as labor. This I shall treat of more at length further on, where I mean to demonstrate that labor is reducible to a universal homoge-

neous essence—labor pain, and to a homogeneous quantity—labor time; a homogeneity which, though not absolute, is sufficient for all practical purposes of human life and association. If this can be shown to be true, then it removes Professor Davenport's stumbling block, presented in the following statement, page 21: "Adam Smith's reasoning is reducible to a formula in porportion—labor : labor :: value : value [labor is to labor as value is to value] \* which is perfectly correct upon the assumption of perfect homogeneity of labor, but this is admitted by Smith to be wanting, where he says: 'If one species of labor should be more severe than the other, then some allowance will naturally be made for the greater hardship; and the produce of one hour's labor may exchange for two hours in the other.' All of which is correct as a matter of everyday fact, but with it the proportion doctrine falls, and with it time cost." Let us note in passing that higher compensation for severer labor is here spoken of as an everyday fact. The reverse of this is more generally asserted; of this more will be said later on.

Professor Davenport also speaks of pain cost and abstinence cost being both asserted and again abandoned by Smith as value determinants; and on page 30 he refers to Ricardo as follows: "Very confusing in Ricardo's discussion is the fact that

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\* Since the author expects this book to be read by many who are not familiar with mathematical formulae, I shall try to make clear that this means that for instance 8 hours labor is to 4 hours labor as 2 quantities of value are to 1 quantity of value; that is, both these ratios, 8 to 4 and 2 to 1, are alike, both being as 2 to 1.

he uses two meanings for the term value, one meaning real value in the sense of concentered labor—concentered pain cost, the other meaning power in exchange. And that Ricardo also has two meanings for 'value of labor'—one meaning mere market value of labor and the other ratio of labor to profit. Ricardo never accepts the doctrine that the value of labor depends upon the value of the product, but consistently holds the contrary, that the value of a commodity depends upon the labor put into it, [that is] upon the cost of production." And on page 34: "With all the Ricardian group, as with Adam Smith, the desideratum in the exchange value problem was to get a measure. If land, the Physiocrat's basis, was discarded what else then could serve but labor? Utility could not serve then [at that time], whether we shall say that the required basis has now been found in the marginal notion or not. Ratios would not serve the purpose, ratios of what? Determined by what?"

It might be interesting to quote also Davenport's reference to Mill, Senior, Cairnes, Say, Boehm-Bawerk, and Clark, and their proposals, in all of which he finds no satisfactory solution of the value problem. But I must desist; for this is not to be a review of Prof. Davenport's book, and the reader may be getting impatient to hear what the present writer has to offer as a solution of that problem. I thought it necessary to cite Anderson and Davenport as evidence of the controversial state of economic science, and of an unsolved value problem, which neither of these men make claim of having solved. In support of which

I quote a few additional passages, condensed from "Value and Distribution":

"No writer of the cost school can fairly be charged with overlooking the fact of utility as a fundamental condition to the existence of value. Utility and the market demand are taken for granted, but the fixation of value, always inside the limits of utility, must be found on the cost side. True, there are goods of a distinctly scarcity sort, but these were left out of the reckoning as exceptional in character and unimportant in quantity; the investigation confined itself to reproducible goods" (p. 44).

This is a significant statement with which I have no quarrel. It is good as far as it goes, and I may have occasion to refer to it later.

On page 334 I find another significant statement: "It is also true that competition is placing new values on cost goods, and brings about a new proportioning of values with costs or costs with values, and in turn upon these new costs, new computations and producings, and so on indefinitely in a circle, the result of each situation becoming in turn cause for the next term in the series. The ultimate causation must then be sought elsewhere; in the sense of finality neither cost nor value is cause, and any attempt to fix upon either as ultimate, or even as logically prior, must inevitably lead to circuitry of reasoning or to question begging." Also page 346: "The ultimate test must come with the newer treatment of costs; in the conviction of the present writer [Davenport] the Austrian doctrine [marginal utility] does not make a convincing showing.

Value as cost may explain value as product, but how are we to explain the first value?"

Here is a plain confession that the value problem so far has been an unsolvable riddle to economists, and Davenport hopes for a "newer treatment of costs" to help solve this riddle. Economists seem to be as lost and as helpless without a value measure as were merchants in handling goods bought and sold by length measure before modern governments established legal standards of length, which gave them yardsticks of uniform and definite length.

A quotation from Professor Davenport's concluding summary is in point; page 570: "Neither in utility on the demand side, nor in pain cost on the supply side can there be found a common denominator, or standard, or determinant of market value, or of price as its money expression. The only common denominator of value is found in selection of a conventional standard for that purpose, a price commodity."

This clearly is equivalent to giving up as a bad job the attempt to find that much desired common denominator of value, and to formulate a really satisfactory theory of value. The next chapter presents the present writer's solution of that problem.



### CHAPTER III.

#### VALUE BASED ON LABOR OF STANDARD EFFICIENCY.

I now proceed to lay before the reader my own value theory, and I do so by repeating the opening question: What is value? How is it determined? Why is one thing estimated at a very low value, though useful, or even though indispensable, while another thing, unnecessary, and perhaps not even useful, is estimated as of high value? Why does the man who performs hard and very useful labor generally receive the lowest wages, while another may be paid twice or tenfold as highly, whose work, when critically considered, may be found of doubtful utility? Such things are everyday facts. Why are they so? Upon what grounds are such facts justified? Or are they not justified at all, at least not in reason and conscience? Are they permitted to be, merely because of unconscious fraud and imposition on the part of those who thereby gain advantage, and permitted also by the equally unconscious ignorance of the victims?

Verily so. I hold that all oppressive injustice, economic, political, or social, which is upheld by custom and usage, is permitted to continue because of the general ignorance, the ignorance of both oppressor and oppressed, the ignorance of the man who derives a seeming advantage, as well as the ignorance of those who suffer because of the injustice. And so it is with the injustice

that flows from the world's false value estimates. Right here it may be asked: who is to blame for this ignorance, who is responsible for the false value estimates that possess the minds of men even to this day? Who else but the moral philosophers and the economists, those whose particular business it should be to instruct and enlighten the world upon the subject of value and sane value estimates; those who should correct the world's false value notions, rather than tabulate and describe the false and foolish value concepts that have been held from time to time. Those are to blame, if on the whole we are justified in blaming anybody, or any class of men, for false notions which are practically universal, and for which, in a sense, the race at large must shoulder the responsibility and bear the consequences. However, from time to time there appears a pioneer to open up new paths of thought and to bring new light; and it is now time for someone to formulate a value theory that will be to economics what the law of gravitation is to physics; a basic principle of economics, which will relieve the chaos and confusion, and furnish a foundation upon which a real science of economics may be established. And what is that value theory, what is its formula?

I closed the first chapter with a platform proposition which was said to embody my value theory in a concrete statement. That statement reads:

Equal compensation, hour for hour, for all kinds of useful work of standard efficiency, male or female.

Let us analyze this statement and examine its parts; and let us see how they connect with a concept of value:

Equal compensation, remuneration, wages, pay, price of labor, hence—value estimate of labor; which is to be equal, hour for hour.

We have then here a value estimate of labor in connection with the time element; a labor time theory of value. Labor is to be rewarded accordingly as it produces value; and that reward is to be equal for equal time upon the presumption that this labor of standard efficiency produces equal values hour for hour. That is to say: one hour's standard work in one occupation or field of labor produces the same value that an hour's standard work in another occupation produces. This presumption, of course, has to be proven true, at least practically true, though not absolutely true, yet true in sufficient measure to answer all practical purposes of associative human life. To prove this is the present writer's task; upon this depends his entire value theory; and if he cannot convincingly show the reasonableness of this proposition, so as to make the same acceptable to fairminded intelligence, then his value theory falls to the ground.

To assume that labor in equal time produces equal value, simply labor, without any qualifying specification, that is so preposterous, so contrary to reason and sense, that no one assents to such a statement; and practically all economists have abandoned a bare labor time theory of value, however sorely they needed a labor cost measure of value. Wherefore they endeavored to base their

value theories on utility, and failing there, sought refuge in an alleged law of supply and demand. But notice that I have not said labor, or work, without adding essential qualifications. In the first place my formula specifies "useful work"—equal compensation, hour for hour, for all kinds of useful work. This brings the element of utility into the "value" based upon this work.

Next I specified "work of standard efficiency." This eliminates the objection which otherwise would hold, that the lazy or inefficient were to be rewarded equally with the industrious and the efficient, on the ridiculous assumption that the former produce as much value or utility hour for hour as the latter. This matter of standard efficiency will be explained more fully later on.

The third qualification, or rather an added amplification, is in the words "male or female"—"equal compensation, or equal value estimate, hour for hour, for all kinds of useful work of standard efficiency, male or female." The addition to the formula of these three words implies a solution of the vexing question of woman's economic dependence upon the male half of the race, as it would give her compensation and consideration equal with man, whatever her line of activity, though she be homemaker and housekeeper; and it would secure for her that economic independence, without which, equality is but a word without meaning, sound without sense. I shall not in this treatise touch further upon the equal rights of the sexes; but those who are interested in this matter would do well to

examine the promise for their cause that lies hidden in my theory of value.

The above gives a somewhat dim outline of my value theory, and I shall now try to make it clearer by means of the customary definitions of wealth, value, utility, and labor.

I find no fault with the customary definitions of wealth, as any material object that directly or indirectly satisfies human wants, need or desire. Also: wealth is anything possessing value, the product of labor, capable of being appropriated, and limited in quantity. Wealth consists of things possessing the quality of value. And value is generally defined as the particular quality of any object or substance which renders it capable of satisfying human desire.

Other definitions of wealth and of value have been offered, some very odd ones, peculiar, and I should say quite phantastic; but generally, definitions of wealth and of value are as given above, closely associating wealth and value; and according to these, wealth, the material object, must possess utility. Utility is but another name for usefulness. A thing to be wealth must then be useful; useful for what, to what end? It must be useful to satisfy human wants or desires.\* But this is also the characteristic of value as defined above; and thus we have utility or usefulness and value closely akin, expressing almost the same meaning. There is this difference, value comprises usefulness and adds the idea

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\* It is to be understood that these wants and desires should be "legitimate;" that is to say, they must be such that their satisfaction tends to preserve or enlarge human life.

of quantity, of something measured or measurable. Economists have distinguished value as value of use, or use value, and as exchange value. Now, value is the product of labor, and in order to be value it must imply usefulness, it must satisfy human desire; it, or rather the material object in which the value is embodied, must be deemed desirable by him that made it, or it must be deemed desirable by other men to induce them to give for it something else in exchange. And here the difficulty enters as the problem of exchange value; it assumes the form of a question: How much of this thing, the product of A's labor, shall he give for some other thing, the product of B's or X's labor? How shall this exchange value be measured, or determined, as to quantity? This is the question which has stumped all known economists, and which confessedly as yet remains an unsolved problem.

Adam Smith, Mill, Carey, and many others, uphold in the main the labor cost doctrine of value, while Jevons and the Austrians emphasize the utility doctrine of value. As stated before, I consider either one of these doctrines taken by itself as explaining value to be a half truth; both in conjunction are required. Utility explains value as a quality, and labor cost explains it from the quantity side; labor cost gives the measure, the amount of value in a product. It seems strange that economists have been so persistent in their endeavor to base their value concept on one single element, either labor cost or utility, though nearly all realized the inadequacy of either of these elements for explaining value

without recourse to the other also. That labor is the fundamental source of value, and that value is proportionate to the labor involved in producing anything—little labor producing little value, more labor producing more value, this seems so self-evident as to suggest itself at once as an irrefutable truism. And on the other hand it is just as self-evident that there can be no value unless there is utility; that labor which does not produce utility, somehow, directly or indirectly, is wasted, is barren of result as far as any economic value is concerned. Both of these elements, labor cost, and utility, are essential to constitute value; labor, the producing agent, and utility, the indispensable condition of desirability, are as necessary to constitute value, as two factors are necessary for the process of multiplication, length and width for rectangular surfaces, or two chemical elements for a binary compound.

But, after all, the chief trouble does not lie in any failure to recognize the two-fold composition of value, but in the failure of making either of these elements serve as a measurer, as a basis or factor to determine value quantitatively, to determine the amount, the "how much," of value in any given product, commodity, or service. The older economists started with labor time cost as a measure of value, but bumped up against the fact of non-uniformity of effectiveness in the great variety of labor, a non-uniformity all the greater as they took into their calculations labor from the furthest ends of the earth, in fact any labor that by its products enters the world market in international trade. Under free competition,

open world markets, and into the general all-around conditions of the 18th and 19th centuries, a labor cost determinant of value could not be made to fit in; because under those conditions, and at that time, it was impossible to reduce labor to the required homogeneity which must be accorded it, if it is to serve as the common denominator in which to express the value of all labor products. Of this I shall speak more fully further on; suffice it for the moment to say, that realizing this impossibility, the labor cost doctrine advocates presented their case as far as circumstances permitted, and let it go at that, with the result of having their doctrine demolished by their critics, who for the greater part advocated a utility value measure doctrine; and this is as elusive and unsatisfactory as the other, and has led to the endless subtleties of marginality. Others again fell back on the doctrine of demand and supply as the only true and genuine value determinant. But it is now well understood that the alleged law of demand and supply has become a mere fiction of the mind, rather than an actually operating law of economics; that instead of regulating values and prices, supply itself is more largely regulated by commercially powerful individuals or interests. In consequence of this, economics has on hand an unsolved value problem, and as a science, political economy is today largely discredited. It is also being understood that an economic regime of supply and demand is becoming something obsolete; something not in keeping with the spirit of this age; something that belongs to a past period in eco-



conomic development, a period of chaos and anarchy, which must now give place to economic order, regulation, and provision; under which, supply of economic essentials will not be left to haphazard chance; but will be provided by properly instituted authorities, these establishing a regulated price of commodities and a supply somewhat in excess of the actual need; thus making the operation of a law of supply and demand a thing of the past, at least as far as the prime necessities of life are concerned.

I recur now to my aforementioned task of proving true the presumption that labor produces equal value in equal lengths of time; or, re-stating this in the phraseology of modern economists, to find a way of reducing the endless variety of labor to such a uniformity as a value producer that it may serve as a value measurer, and as a common denominator in value statements. This, in one sense, I have already done, when I said that to one hour's labor of standard efficiency, wrought in one occupation, the same value is to be ascribed, and the same potency as a value producer, as is ascribed to an hour's labor of standard efficiency in any other calling or occupation. But this needs a great deal of additional elucidation. Let us take up first standard efficiency of labor. What is the meaning of that, what does that imply? Who shall set this standard, and how? Let me say in passing, that while I have in mind chiefly the economics of the future, yet the economics of the present, and the economic development, the trend of things economic, is not disregarded by me; and these things justify va-

rious assumptions, and various lines of reasoning, that could not be justified if economics was taken as something fixed and static. Thus, for instance, we see a continuous increase of government function; of inspection and supervision. The government mail service, though already an old institution, is constantly being enlarged and additions are made to the same. Parcel post and postal savings banks have been added, while the taking over of the telegraph service is in contemplation in this country, and already established in many other countries. The educational institutions are for the greater part publicly owned and controlled, and are to receive an enormous extension through vocational training features. A vast inspection service, national, state, and local, of health, food, factories, mines, buildings, boilers, elevators, etc., has for some time been in existence and is continually being extended. Recently irrigation, reclamation, and forest service, have been added. The taking over by the state of railroads, and by municipalities of public utilities, street car systems, lighting and water supply, is contemplated and seems to be certain. The extension of government supervision or control, due to the war, of matters formerly left to private control in all countries affected by the war, may after its close be largely recalled, but much of it will remain in force. Add to this the great number of men in the ordinary administrative and judicial service of the nation, states and cities, and we have an enormous army of government employees, whose duties must be defined and compensation fixed by authority. It therefore becomes necessary, as a

matter of course, that standards of efficiency be established, and rates of pay fixed, such as satisfy the sense of fairness, and the judgment of the nation.

And here is where the use and the help of economic science should come in, to assist the legislator in the fixing of rates of pay and in the establishing of standards of efficiency, by reasoning out the principles underlying these things; and this is neither more nor less than answering the question, what is value, what is the true and fair value of any given commodity, what is the value of an hour's labor, a day's work?

Standards of efficiency are indeed already established in various lines of the government civil service, and to some degree in the teaching profession, while in both, entrance examinations are required. In somewhat similar fashion standards of efficiency, which entitle to full or standard pay, will be established in industrial lines of work, where such work comes under government control in nationalized industries, utilities, or transportation systems. For the comparatively limited number of industrial workers in government employ in the past, it has been customary to fix the rate of pay in accordance with rates prevailing for privately employed labor of similar kind. But the time is coming when the number of government employees will be so vast as to dominate the situation, and this custom will be reversed. The government will have to base the rate of pay on some fundamental economic principle, instead of on the blind, haphazard, and unjust rates that

have ruled in the general business world; and then the standards of efficiency and the rates of pay established in publicly controlled work will be patterned after and largely adopted in such industries as may remain under private control. It is of course perfectly self-evident that the apprentice in any line of work, who just begins to learn his trade or profession, does not in one hour produce as much value as does the experienced worker, and therefore could not in reason be entitled to the same compensation. Assuming a condition when the labor of the nations will be rationally organized, and I do not mean organized for economic defense in trades unions as these are known today, but organized for effective production, a condition toward which the world is fast moving, the standing of workers will shape itself somewhat in this manner:

Vocational training in schools will be coordinated with the actual industrial work, and perhaps to a great extent merge with the same during apprenticeship. The length of actual apprenticeship will be very much reduced; probably two years will be the maximum, but no truancy or running away to take work elsewhere will be permitted. The apprentice will receive pay commensurate for an apprentice, with a suitable increase perhaps every six months. After serving out the required apprenticeship the young person, male or female, will, upon passing a proper test, be advanced to the grade of junior workman, with a corresponding increase of pay for another period of perhaps two years; and will

then graduate into the class of senior workman, receiving full standard pay; and will be required to demonstrate that he can and habitually does perform a fair day's work, in other words, that he has reached and maintains standard efficiency. The greater number of men will probably be perfectly satisfied, and quite happy to continue in this grade during the active working period of their lives, say from about the twentieth to the sixtieth year, free from care, worry, or anxiety about their jobs, free men among their equals, their livelihood secure against the pecuniary distress due to failure of employment, that in present society afflicts and oppresses many. Others, who have the ambition or desire, may advance to the grade of master workman and qualify as foremen or supervisors with but slight if any increase of pay. All, as they advance in age, and gradually decline in strength and efficiency, will be classed as veterans with correspondingly reduced pay, and finally be retired on a suitable pension. This briefly outlines a possible scheme of organizing the productive labor of the nation in such manner as to leave no one out of employment, society assuming the duty of finding employment for all, or rather of apportioning the same, so that no one need be without employment and wages. There is to be no "hindmost" for the devil to take. How society can find employment and wages for all may not be clear to the reader at this stage; it will be more fully explained in Part III. For the moment I can only repeat what was indicated on a former page, that there would be a sufficient flow of purchasing

power back to the multitude of workers to insure a steady consumption of goods produced, and a continuous "effective" demand for the same, so as to make over-production, glut, and stagnation of work impossible.

This excursion into details may perhaps be objected to as not germane to the question of what is value; but it was brought in to illustrate and make clear what the writer means by "labor of standard efficiency." A fair day's work has in many callings quite a definite meaning, especially in the building trades. There it means a certain number of bricks laid, so many squares of flooring, lathing, plastering, shingling, or painting. In other lines the work naturally falls into piece work; so many shoes, hats, gloves, shirts, etc. Experience establishes a certain amount of work, which the average capable worker accomplishes in a certain number of hours with reasonable exertion, and which is generally called a fair day's work. This is what I mean by work of standard efficiency, and such work will be expected of the graduated journeyman worker or senior workman; but this does not imply stop-watch methods of speeding up to a near breaking point.

Now, my value theory presupposes equal pay for all kinds of useful work of standard efficiency. If this be conceded, then we have in this labor of standard efficiency the required value denominator; the basis and the measurer of all economic values, the means of determining the value of all general market commodities. The value and the price of all staple articles in the market will de-

pend upon how many hours of this standard labor is embodied therein. And so far, the value problem is solved, reserving the question of ultimacy in value determination to be taken up further on.

## CHAPTER IV.

### ECONOMIC STATUS OF PROFESSIONALS AND ARTISTS.

But objection will be made against putting skilled and unskilled labor upon the same level of compensation. And some will ask: how about the artist, the poet, and the preacher; what about the inventor and the captain of industry, and those who follow the professions of law, medicine, or of teaching?

As to equal compensation for skilled and for unskilled labor, that I shall have to discuss at some length; but I will not go into much detail in regard to the economic status of artists or of the learned professions. This matter could be brushed aside by pointing out that these people do not come within the purview of economics. They are not producers of wealth, strictly speaking, nor do they render any direct economic service. Only in an indirect and often very remote manner can it be claimed that they contribute to the production of material wealth; and such unwarranted inclusion of things irrelevant, as factors in the analysis of economic problems, has caused confusion in economics and left the same with an unsolved value problem. Now while these people unquestionably contribute to welfare, especially doctors and teachers, yet they produce no exchangeable commodities that circulate in the market, the value of which it is our problem to determine, and this value I propose



to measure by the hour unit of standard industrial labor. It is claimed that economics is concerned with wealth, not with welfare. I have in chapter I. severely condemned the opinion that would ignore welfare and exclude it from the consideration of economists. Let me here amplify by saying, that economics is properly concerned with wealth, and with that welfare which is conditioned on a just distribution of material wealth, especially upon a just distribution of the nation's annual income, the national dividend, and upon such apportionment of employment, as would leave in enforced idleness no one who is able and willing to work. With this wealth and welfare, artists, preachers, and the professions have nothing to do, or at the most only in a very indirect way. But a correct political economy has very much to do with this welfare, and so has a theory of value which would raise the meanest paid labor up to equal compensation with other industrial labor.

Here I might drop the consideration of the economic status of the classes alluded to above. However, though these people stand outside the proper province of economics, they do not stand outside human society; and I do not in any way imply that they are engaged in activities that are not useful. On the contrary, most of them are highly useful members of society, and some of them eminently so; and a little prognostication may not be amiss, as to the status of these people under the economic regime toward which the world is fast drifting, and of which I feel sure the equal compensation feature will be a most

distinguishing characteristic. Lawyers, as we know them today, may largely disappear; they will probably become salaried functionaries of the courts, assisting in the dispensation of justice, rather than using their wits to block justice in the interest of their clients, as so often is the case today. Doctors and teachers, while a comparatively small number may follow their profession privately, by far the greater number will be publicly employed as are the public school teachers now, and at salaries that are approximately on a level with the compensation of skilled mechanics. Like the police, guardians of peace, and fire department men, guardians of fire protection, doctors will be guardians of health and sanitation, on duty in hospitals, dispensaries, bureaus, and medical call stations; and they will be publicly employed at salaries similar to those paid other administrative employees generally. Let it be remembered, and fully realized, that the compensation of all such public employees, whose labor does not result in concrete material objects which in themselves embody the value of their work, that all these employees must be paid from a fund created by contributions from or taxes upon the producers of actual economic wealth, the great laboring multitude, or by fees exacted from them. When this is fully realized, and when we know that in a real democracy this multitude make up the voting constituency whose final sanction upon questions of taxation is necessary, as well as necessary for the granting of salaries and compensation for public employees of all sorts, then we may well assume that a senti-

ment for approximate and reasonable equality of compensation in these various lines of work will be distinctly dominant. As to the artist, the poet, and the preacher or moralizing philosopher, all these stand distinctly outside the scope of economic consideration; and the value or worthlessness of their work has nothing to do with economic value and its determination. It is simply childish to include in the discussion and analysis of economic value such things as the decalogue, pictures or sculptures by dead or by living masters, old coins or other archeological curios, the value of a horse to a fleeing prisoner, or the value of a plank or a life preserver to a drowning man. The value of a horse or a plank must be determined under ordinary conditions in the market of economic exchange, not under special or abnormal conditions as means of saving men's lives. Curios and works of art do not belong in the realm of economics. Artists, poets, and preachers will have to find their pecuniary status much as they do today, with this difference: in the future society there will be no occasion for artists or for any kind of misfit genius to starve in a garret; for if their art should fail to support them they could always find the doors of some public employment office open, with opportunity of earning a decent livelihood by honest labor of some suitable kind. What has been stated about artists and poets does also largely apply to inventors, captains of finance and industry. The function of a captain of finance will probably become obsolete; the captain of industry may or may not find a place in the new order; if so, he

and the inventor will be in a special class, and will be compensated according to what the general opinion deems fair and just. The work of poets, prophets, and philosophers may be worthless, or it may be valuable beyond estimate in money or money equivalents. Very likely such work would not be appraised quickly, generally not before the latter years of such lives; and it would quite generally be performed during hours of leisure from livelihood pursuits, as indeed is largely the case now, and its reward would mostly be in honors rather than in things pecuniary. If, however, the people at any time see fit to bring their offerings, or to tax themselves, in order to bestow high pecuniary rewards upon some artist, musician, singer, actor, or circus clown, poet or preacher, inventor or scientist; or to pay princely salaries to a king, president, governor, mayor or high court judge, so let them do, as long as in their judgment the services of these people are worth such price. But all this is apart from economic value, and has nothing to do with determining the value of a day's work at ordinary economic labor, the labor that produces subsistence and material wealth.

Just one more thought in this connection to show the falsity of men's value estimates, and how absurdly the world has been in the habit of overestimating the importance of artists and inventors, and underestimating the humble toiler, especially the tiller of the soil. Suppose Caruso and Paderewski should die tomorrow and no one be competent to take their places. Would the world stand still? The papers would announce

the fact, and the next day these men would merely be a memory and a name, except in the little circle of their immediate family and personal friends, beyond which their passing would scarcely be felt. Suppose Edison and the others had not given us the electric light and the phonograph; would anyone sit down and cry about it? Not at all, but if there should be a great crop failure, many might have occasion to weep, and quite a number might perish. What has the invention of the aeroplane, the dirigible, and the submarine done for the world? Made war more horrible, and so far nothing else, and I doubt if they really ever will be anything else than means of destruction or toys for fools. Suppose that for ten years to come all inventors were to stop work, nothing at all was to be invented, would anyone cry or be in distress? By no means, in fact no one would feel the difference. But let all the farmers stop work for a single year and the race would perish. Who then is the more important, the farmer or the inventor? The question answers itself; and here is hoping that the answer may permeate the heads of bumptious individuals, whom chance of birth and fortune has placed in favored positions, from which they look down with supercilious contempt upon the humble tiller of the soil. May the answer dissolve out of such heads some of that self-conceit which is one of the chief curses of the human race. I could continue to discourse along this line on many pages, but this would weary some readers, so I break off. I have tried to show that certain people, and their work, have been

very much overrated; also that the work of these people does not enter into the analysis and determination of economic value, and does not necessarily enter into the equal compensation scheme. Yet some of them will come completely under the influence of that scheme, and all will be greatly affected thereby, directly or indirectly.

Before passing on I want to corroborate what I have here maintained as to the work of artists and the learned professions being not productive of material wealth, and not coming within the proper province of economics. And I do so with a quotation from an accredited economist, J. L. Laughlin, at that time professor at Harvard University. He says: "We can see then, that in the wonderful mechanism of society, men are working to produce wealth, and to satisfy one another's material wants. All the world, so far as they are thus engaged in supplying their material wants, are doing things with which political economy is concerned. If men are occupied with other affairs than these, they are not things with which the economist is concerned. Political economy deals only with questions connected with wealth, and with the satisfaction of material wants. But according to some writers, not all wealth is material. You can see and touch a nail, a basket, a gun, land, or diamonds; but this is not true of all things. You cannot see or touch capacity or mental power. If these things can be called wealth, they are not material wealth, and are not capable of being transferred from one person to another as a coat or a hat may. Most people are engaged, directly or indirectly,

in collecting material wealth, and as only such wealth can be appropriated and exchanged, we shall be understood as speaking of material wealth hereafter, unless particular mention is made of immaterial wealth." Condensed from pages 4, 5, and 6, introductory chapter of "Principles of Political Economy," by J. L. Laughlin; Appleton Science Series edition, 1888.

## CHAPTER V.

### EQUAL VALUE OF AND EQUAL COMPENSATION FOR ALL KINDS OF SKILLED LABOR.

The next step in my argument will be to show reasons why skilled and unskilled labor should be estimated of equal value, and should be compensated at the same rate hour for hour. I realize that here I am up against an almost unsurmountable mountain of prejudice, fortified by centuries of custom; and I almost lose heart as I think of it. But the gauge of battle has been thrown, and there must be no shirking. I shall begin then by attacking this prejudice at its weakest point; and that is by arguing the essential equality in point of worth and value of the various mechanic trades.

Upon what grounds of reason should the work of the tailor and his product be esteemed more valuable than the work of the shoemaker or the hatter? That of the blacksmith, machinist, or molder of greater value than that of the carpenter or mason, painter or tinner? And so on down the long line of mechanic trades, all of which are indispensable and enter into the make-up of man's daily necessities, food, clothing, and shelter. But, it will be said, work ought to be paid according to the skill of the worker. Well then, please tell me, whoso can, which of these trades involves the greater skill? Mason, molder, machinist; tinner, carpenter, tailor, miller, weaver, painter, etc. Is it the mason or is it the plumber, trades



which long have ranked high in point of wages; some thirty years ago nearly double that of the carpenter and cabinetmaker, though these undoubtedly required a higher order of skill. Who shall decide this among all the numerous trades? Shall it be left to each trade to decide whether itself is the most skillful, most important, and therefore entitled to the highest rate of pay? Evidently not; the thought is as absurd as letting a claimant in court decide his own case. What then shall we do; how shall we decide this question? Let it be remembered that the reward for labor should have some regard to the irksomeness, the burdensomeness of the work, to what economists have called the labor pain. Of this more will be said presently. Let it also be remembered that the lesser the skill in any branch of work, the coarser it usually is, the heavier, the more burdensome and exhaustive the toil. This should be taken into consideration to offset the higher skill as a value element. And the more we puzzle over the problem, the more must we come to the conclusion that the only solution is to award equal compensation, hour for hour, in all kinds of skilled trades. How are these rates of pay fixed under the conditions of present society? By the illogical, crude, haphazard method of competition under an alleged law of supply and demand; by an abominable grab and catch as catch can scramble for vantage. Or rather they are not settled at all; for, as a fact, these matters continue in a state of turmoil and trouble, of chaos and disorder, causing no end of strikes and disputes, often attended by violence. No sooner

has one trade gone on a strike and gained an advance in pay than another starts, and then another, or several at the same time. And when the last strikers have gotten their raise, the first start over again. This cannot go on forever. A way must be found to settle the wages question so it will stay settled; a way that will make an end of the industrial war, the strife and the strikes. A principle must be found upon which to determine, once and for all, the wages of labor with a fairness that is beyond dispute and is apparent to every reasonable and open-minded man. And that is the principle of equal compensation, the basis of the value theory propounded in this book.

I remember hearing my father tell how in his own young days he participated in the frequent brawls indulged in by various crafts; how the members of one craft hated and despised the members of another craft, resulting in regular fights, such as even now take place between young rowdies of one neighborhood with the street rowdies of another neighborhood, or between the larger boys from rival schools. It seems the tailors were especially made the victims of the animosity and contempt of the more robust mechanics belonging to other crafts; but all united in heaping contempt and scorn upon the tiller of the soil. The literature of those times, and indeed of our own days, will bear witness to this fact, and prove that this hateful and unbrotherly spirit still survives in an altogether too large measure. Practically all comic prints are still engaged in the task of heaping contempt upon farmer Hay-

seed and Corntossel, and are using such expressions as "rube," "country jay," and the like. Men have hated and injured each other in the past because of difference of race, nationality, and religion; and also because of difference of calling, difference of work. How foolish, how unspeakably foolish. A great deal of this still remains, but much has been done away with, due to the growth of tolerance and of general intelligence. And but little remains of jealousy, malice, and hatred among the various skilled trades. This is due to the many fraternities of various kinds, and especially due to the trades unions, their central labor unions, and the national federation of labor, as well as to the socialist propaganda. Is it too much to hope that these men are ready for that widening of heart and mind which would accord to other crafts the same usefulness, worth, and value, and therefore the same rate of pay that is claimed for their own? To doubt this would be to deny them capacity for ordinary reason, honesty, and common sense.

Let us suppose that a number of crafts, from A to Z, are under the jurisdiction of some central labor union; and that of these crafts, A forces its rate of wages up to say \$5.00 per day. After a while craft B does the same; then craft C, and so do from time to time all the rest down to X, Y, and Z. Is it to be supposed for a minute, that the other crafts which had effected a \$5.00 rate would oppose crafts X, Y, and Z, in doing the same? No, that would be unthinkable for the mere shame of it. Can it even be supposed that crafts A and B would argue that if crafts X and

Y got \$5.00, then A and B ought to get \$6.00 or \$7.00 per day? Yes, this can be supposed as long as the minds of men are perverted by false notions of value, taught and upheld by a false economic doctrine, according to which the world of business and its rewards are looked upon as being like the uncountable fishes in the boundless seas, where a man's catch depends mostly upon his luck and the weather's favor. According to this idea, if one man catches twice as many fish as his neighbor, that is purely a matter of chance and good fortune; and is in no wise dependent upon the ill-luck of the neighbor, nor is it achieved at the expense of the neighbor. And much like this is the general notion about the rewards of business and the rate of wages, which is supposed in some vague manner to depend upon a mysterious wages fund, instead of being, as it really is, drawn directly or indirectly from the ultimate consumer. But when it is clearly and distinctly understood that wages and salaries, profits and dividends, in any line of economic work productive of material wealth, are paid by the ultimate consumer; that, in the final analysis, the wages of men in craft A are paid by the men in B, C, D, on down to Z; the wages of men in craft B, by those in A, C, D, and all the rest, and so on along the whole line; those of Z are paid by all the rest; when this is understood, then the whole wages question will be seen in an altogether different light; and it is hardly to be expected that the members of any one craft or calling would have the nerve or the impudence to claim for their particular craft a higher rate

of pay than they were willing to accord another craft. If they did, they would probably be laughed at.

Lest the reader should overlook it, let me remind him that I am speaking of mechanic trades, so-called skilled labor, not of professionals or artists, or any of those who might claim special compensation on special grounds. The case of such has already been discussed, and may be further considered later on. But the present argument deals with mechanics and workers in the various industries; particularly with those engaged in producing the staple necessities of life; those things that constitute the food, clothing and shelter, and the ordinary comforts of people in general; those things of which the mass of the people are the ultimate purchasers and consumers, and the production of which furnishes by far the greater part of the world's employment. It is true, that a certain percentage of employment is yet furnished by the rich, the well-to-do, for luxuries and personal service. And a century or two ago that percentage was so large that some of the older economists must have believed it was the rich who furnished practically all employment for labor; and this thought does indeed in a measure underlie the wages fund notion. But times change, the old order gives place to the new. With the rise of the people and the growth of democracy, the center of economic gravity has shifted, and the source of employment is now mainly in the multitude itself. And it is realized that even the money which the rich spend for luxuries and for per-

sonal service, and by which they furnish a certain amount of employment, even this money is in great part acquired by exploitation of labor or by profiteering upon the consuming public. However, this is a phase of economics which I do not intend to discuss in this treatise on value. I claim my value theory to be true irrespective of whether land is held as private property or not, true under private capital or collective. As long as profit, interest, and rent continue, these will merely be minor items added to the cost and included in the selling price of commodities; an increase of cost and of price which will diminish as collective capital gradually replaces private capital, and as collective ownership of land supersedes private ownership. These matters also lie beyond the scope of this book. But I repeat, because I want to emphasize it, and it can not be too much emphasized, that as far as the ordinary necessities of life, the great staples of production and of business are concerned, the multitude are the ultimate consumers; and it is they who in these lines of work furnish the employment and really pay the wages of the labor involved. I also want to emphasize that it is upon these things, the great staples of production, and upon their abundance, or at least their sufficiency, that the well-being of a nation depends; and with these things particularly, and with their proper evaluation, are my economics and my value theory concerned. These things in particular are assumed to have equal value for equal length of labor time embodied therein, such labor being of standard efficiency as explained on a previous

page; and hence also such labor is of equal value, and entitled to equal compensation, hour for hour. This, it seems to me, ought to be perfectly clear to all skilled workers, that insofar as any one class among them is useful, produces a useful or necessary commodity, or renders an essential service, then the labor in that class should be accorded equality of value, and equal compensation with the others. Any one trade which would insist on higher compensation than the others, would simply show a desire for a little profiteering for itself.

Suppose there is after all a slight difference in point of skill or in burdensomeness between certain trades. It is not possible now, and it will not be possible then, to calculate these matters to an extreme nicety, to a minute fraction of a cent. Greater deviation from minutely exact justice in the setting of wages and assignment of value obtains in present competitive catch and grab society, than would be occasioned by equality of compensation for work of standard efficiency; and what slight deviation from exact adjustment in these matters there would remain, that should be accepted on the principle of "bear ye one another's burdens." We cannot in any event escape a certain measure of bearing another's burdens even now. Two men buy clothes at the same time, of the same quality, in the same store, and pay the same price, though one, being large, may require 10 to 20 per cent. more goods in his suit than the other who is small. The same with shoes or anything else in the way of clothing or wear. A hearty eater pays no more for a meal

in a hotel or restaurant than the man with a small appetite. The 100-pound man pays the same fare on car or train as the 200-pound man; and on street cars long and short trips are paid alike. Similarly with postage. In these matters it is simply impossible to make calculations to a minute fraction of a cent and charge accordingly; such things must be averaged within reasonable limits, and so should be the compensation for standard labor. This is necessary in order to stabilize society, bring order out of economic chaos, secure industrial peace, and establish real brotherhood among men.

Some mechanics may still insist that their particular trade requires unusual skill, and a long apprenticeship to acquire the same. Such notions are now obsolete, whatever reasonable grounds there may have been for them in days past. With vocational training, manual and technical schools, and the greater mental alertness of modern young people, with the general all-around increase of intelligence, and with the increasing sub-division of labor, the days of long apprenticeship are gone. Two years will probably be the limit, and in many trades it might be less. The arbitrary lengthening of time for, and curtailment of numbers of apprentices in order artificially to create a scarcity of members, and thereby boost the compensation in any trade, will not be countenanced when order, system, and regulation take the place of disorder and arbitrary forcing; when the labor of the nation is organized for production, instead of for defense in the economic struggle for livelihood.



I hope every fairminded reader of these lines will agree that the different trades should receive the same compensation, because all are useful and necessary or indispensable. But whose labor is more useful and more indispensable than that of the farmer, the tiller of the soil? It is he upon whom all depend for food, at least for the raw material, both of food and of clothing. He is the peer of any in point of usefulness; to him really belongs the place of honor as the most indispensable of all workers. He furnishes much food ready for consumption, and the raw materials for most of the staple food products, as well as the raw material for textiles and a variety of minor items in the list of raw materials. This man's work certainly is entitled to the same value estimate, and therefore to the same compensation as any of the skilled trades. The same reasoning applies to the coal miner, the man whose work probably is the most burdensome, as well as the most dangerous. Civilization as it is known today would be impossible without a plentiful supply of fuel; and of fuels, coal is the principal source, and for many purposes the most suitable kind. The value of the coal miner's work cannot in reason and fairness be estimated at any lower rate than that of other industrial workers. Clearly, this miner must be accorded a place in the equal compensation scheme. So also the miner of zinc, lead, copper, and iron ore. What would the world be without iron and steel? Civilization could simply not exist without iron. All tools and all machinery of production, as well as of transportation, de-

pend upon iron. Hence we find the work of the iron miner and smelter as indispensable, as useful, and as worthy of esteem as any other of the skilled trades, and fully entitled to equal compensation with the rest.

But the products of the farm and the mines as well as the multitudinous manufactured goods must be transported in order to reach the place of consumption, the place of realized utility. And this calls for the work of a large number of men laboring in transportation by land and by water: teamsters, wagoners, sailors, railroaders, etc. Any person of but ordinary intelligence will realize at once that the transport worker is as needful for the existence of organized society as is the more direct producer of the goods transported; and it should not be necessary to dwell upon this at any length. Division of labor is a fact, based upon this other fact, that division and subdivision of labor increases the productive power of labor manifold; and also based upon this further fact, that the various raw materials which enter into one article of manufacture often have to be brought together from widely separated localities. The staple food materials, raised almost wholly in the country, must be transported to cities and manufacturing centres; and much of it is carried back again to the country, after it has passed through the various processes of manufacture. All this, or at least a great amount of transportation, is unavoidable and indispensable, and this of course implies that the labor of the transport worker is indispensable, or, to say the least, is useful and necessary, and therefore of equal

value and worth with other useful and necessary work, and hence is entitled to a place in the equal compensation scheme. What has here been said about the worker in transportation, applies with equal force to all those who work in stores and warehouses, in wholesale and retail mercantile work, the merchant class, and all their help, in office, storeroom, and salesroom; everyone whose labor in any way serves the process of distribution, the connecting of producer with the consumer. All this work is likewise indispensable, necessary, useful, and therefore entitled to the same value estimate as other work; and the persons engaged therein have an undeniable right to a place in the equal compensation scheme with the rest of useful workers.

That the immense army of workers, in their multifarious variety of work, on field and farm, in mine, mill, and workshop, on railroad, ship, or wagon, in store and office, the producers and distributors of material wealth, of all the necessities and comforts of life, that these are all alike needed, all alike useful and important, that seems to me so clear, that even a child might understand it; and that therefore, in reason and conscience, they should be esteemed equally worthy and valuable, and entitled to equal compensation, hour for hour, when arrived at standard efficiency, that seems to me equally clear. Moreover, let it be remembered that this multitude of workers, the producers of wealth, that these also constitute the bulk of consumers, and as such furnish employment for each other; and since the purchase of products is really an exchange of prod-

ucts, and in the final analysis an exchange of labor, therefore equal pay hour for hour really means an exchange of labor with your brother man on the basis of hour for hour, on the basis of giving one hour of your work for one hour of his. Let it furthermore be remembered that this equal compensation, hour for hour, for all useful productive work, gives us a rational and equitable basis of value, a means of determining the value of all material products according to the hours of standard labor embodied therein; and that this will settle, at once and for good, all disputes about rates of pay, eliminate strikes and lockouts, and stifle in men generally the desire to exploit their fellowmen; will bring industrial peace, and will do more than aught else to establish lasting peace between the nations of this earth. Who is there so narrowly selfish, and so shortsighted, as to refuse welcome to such a gospel of industrial peace, of harmony, and brotherhood, of salvation from economic chaos?

The demand for equality of pay for equal work regardless of sex is already quite common, and is generally accepted as reasonable and just. Why not also equality of pay regardless of trade or line of work? If it is right to place men and women upon equality in the matter of compensation, why not men and men? When it becomes clear, that rightly understood, men's work, in point of value, is equal when of standard efficiency, no matter in what particular line of productive activity, who then can any longer oppose this idea of equal compensation?

## CHAPTER VI.

### EQUAL VALUE OF SKILLED AND UNSKILLED LABOR.

I have not yet discussed the status of so-called unskilled labor; and I know full well that the attempt to include this class of labor in the scheme of equal compensation will meet the most emphatic objection from the great majority of skilled workers, those immediately above the unskilled in economic standing and income. This exemplifies a universal human weakness and defect of character. Men are quite anxious to see justice done as long as it imposes no sacrifice upon themselves, takes from themselves no cherished prerogative or accustomed advantage. When that is threatened, then the whole matter assumes a different aspect; men become totally blind to justice, or it becomes so vague and remote a thing as to be lost to sight and to consciousness, while the threatened privilege assumes large proportions, and seems so sacred and important, that to touch it appears to them as the grossest injustice, and calls for bitter resentment. But such is this poor humanity, and so backward is it still, in its age-long struggle to evolve from a status like unto a predatory animal toward that of a really human being, brotherly and helpful, that, as yet, man is not quite willing to grant to those he looks upon as standing below him the same consideration, and the same rights, that he so vociferously claims for himself. The middle class, having gained

the franchise, were unwilling to extend the same to the lower orders; and the males, generally speaking, having now the right to vote, are very reluctant about granting the same right to females, justifying that refusal upon some pretext quite satisfactory to themselves, though not so convincing to the women. Stubborn is the innate self-considering disposition of man, and if certain customs and usages that have existed for centuries are in accord with that disposition, it becomes an almost hopeless task to combat the same. Such is the age-long custom of paying unskilled labor the meanest wages, a bare, pitiful, subsistence wage; and the skilled workers, accustomed to think that perfectly right and proper, fully believe that their own labor possesses double and three-fold the value of unskilled labor, and also double and three-fold value producing potency. This conviction has been shared by all the world, by the educated classes, by scholars generally, and by the teachers of political economy, and even by the victims of that usage, the unskilled laborers themselves. But the time has come for demonstrating that this is all wrong, that this is an utterly false notion, and that it is the very source and spring of social injustice; that it perpetuates poverty and slums, puts man at enmity with his fellow man, and fills his heart with the spirit of Cain.

I propose to show, and largely by the aid of accepted economists, that the prevailing valuation of unskilled labor is false, is based on failure to understand labor sacrifice; that it is an inherited after-effect of ancient and medieval

slavery; that even under the present economic regime, and under the sanction of conventional economic principles, this false valuation of unskilled labor is doomed to pass away; that even now a distinct tendency toward equalization of pay can be discerned; that under the influence of increasing general and vocational education, and under the organizing tendency of the present time, this fifth and last "estate," the unskilled laborers, this sub-proletariat, will demand redress for its age-long subjection and despoilment; and that this demand may be attended with more or less violence, if it is not met in a proper and conciliatory manner by the other elements of human society.

I shall take up these propositions one by one, in the order as stated above, beginning with the assertion that the prevailing value estimate put upon unskilled labor is a false one, due to a failure properly to apprehend the meaning and significance of what economists have called labor sacrifice or labor pain. Turning to Adam Smith, the father of political economy, let us see what he says on the subject in *Wealth of Nations*, Book I, chap. V:

"Labor is the real measure of the exchange value of all commodities. The real price of everything; what everything really costs the man who wants to acquire it is the toil and trouble of acquiring it. What everything is really worth to the man who has acquired it, and who wants to dispose of it, or exchange it for something else, is the toil and trouble which it can save himself, and which it can impose upon other people. What

is bought with money or with goods, is purchased by labor as much as what we acquire by the toil of our own body. That money or those goods indeed save us this toil. Labor was the first price, the original purchase money that was paid for all things." (p. 26.)

"Equal quantities of labor, at all times and at all places, may be said to be of equal value to the laborer. In his ordinary state of health, strength and spirits; in the ordinary degree of his skill and dexterity, he must always lay down the same portion of his ease, his liberty and his happiness." (p. 28.)

This laying down by the laborer of his ease, his liberty and his happiness, has by later economists been called labor pain or labor sacrifice; and this Adam Smith declares is always of equal value to him who makes this sacrifice; and also to him who escapes this sacrifice by having others make it for him.

Again quoting Adam Smith, chap. VI: "If among a nation of hunters, for example, it usually costs twice the labor to kill a beaver which it costs to kill a deer, one beaver should naturally exchange for, or be worth two deer. It is natural that what is usually the produce of two days' or two hours' labor, should be worth double of what is the product of one day's or one hour's labor." (p. 41.)

"In this state of things the whole produce of labor belongs to the laborer, and the quantity of labor commonly employed in acquiring or producing any commodity is the only circumstance which can regulate the quantity of labor which it



ought commonly to purchase, command, or exchange for." (p. 42.)

Condensing the above statement it comes to this: The quantity of labor necessary to produce any article is the only thing which can determine the quantity of labor that such an article ought to exchange for.

Henry C. Carey, the American economist, describing the assumed beginning of human association, division of labor, and exchange of products, says: And these circumstances naturally lead to a system of exchanges in which each seeks to obtain day's labor for day's labor embodied in the article exchanged. "The idea of comparison is inseparably connected with that of value. We compare the commodities produced with the labor of body and mind given for them. In exchange the most obvious mode is to give labor for labor; and each watches carefully that he does not give more than is given in return."

"Having made a crude axe, there is an immediate change in the value of fuel previously produced, because it can now be produced with less labor; but the value of things not produced by the use of the axe remains unchanged. If one has surplus of fish, the other surplus of fuel, the latter must now give twice as much fuel in exchange as before, since the fuel is produced by half the labor effort." (Carey's *Social Science*, condensed by McKean, pages 83 and 84.)

F. von Wieser, the Austrian economist, himself an opponent of the labor cost theory of value, makes this statement: "The opponents of the

labor cost theory of value do not in my opinion do it justice. They try to disprove it completely, whereas it is by no means entirely false. It is conceivable, but does not fit in with facts; it is philosophically true, but not realized in practice. It is possible to conceive a condition of economic life, under which the single consideration of the sacrifice involved in labor would determine the value both of the labor itself and of all products." (Natural Value, translated by C. A. Malloch, p. 194.)

Francis Wayland, an American university president and professor, makes this statement: "No man would exchange what has cost him two days' labor for that which has cost another of the same skill but one day's labor. Thus if a hundred pounds of fish could be procured by one day's labor, and only twenty-five pounds of venison, men would exchange, not pound for pound, but labor for labor, that is, at the rate of four pounds of fish for one pound of venison. The amount of labor expended in the creation of value is commonly called its cost. This is always the standard by which for long periods the degree of exchangeable value is estimated." (Elements of Political Economy, p. 20.)

John Stuart Mill says: "Labor is either bodily, or mental, muscular or nervous; and this idea includes, besides the exertion itself, all feelings of a disagreeable kind, all bodily inconvenience or mental annoyance caused by the employment of muscles or thought in a particular occupation." (Principles, Book I, chap. I, p. 45.)

Professor Davenport, in his Value and Dis-

tribution, p. 62, quotes Cairns, and says of him: Cairns' special task was the rehabilitation of the labor cost theory of value, after the damage visited upon it by Mill's half-hearted support or partial abandonment. In his (Cairns') *Leading Principles Restated*, labor is set up as the value determinant; however not in terms of time but in terms of pain, burden, irksomeness. "Cost means sacrifice, and the problem of cost of production, as bearing on value, is to ascertain how far, and in what way, the payment thus made by man in the barter between him and nature determines the exchange value of the products which result." (Chap. III, Sec. 5.)

On page 69, Davenport says: "Ricardo had assumed without argument that as a general proposition, and in broad averages, wages are paid in proportion to the painfulness of employment; and he again quotes Cairns to this effect: "If wages really stood in any constant relation to that which really constitutes the laborers' cost, then wages in all occupations and in all countries and at all times would be in proportion to the toil which the wages compensated."

Professor J. L. Laughlin, formerly of Harvard, makes these statements: "The capitalist undergoes sacrifice of abstinence, and the laborers' exertion or expenditure of physical or mental energy is sacrifice to him." (p. 112.) "By considering 'cost' as sacrifice we give due importance to the sacrifice of the laborer as well as to that of the capitalist." (p. 113.) "Where competition is free, commodities exchange for each other in proportion to their 'cost' or 'sacrifice' of produc-

tion. That is the law of normal value of manufactured goods." (p. 117 *Elements of Political Economy*, Appleton edition, 1888.)

I also quote John Ruskin who, though not classed as an economist, was a philosopher and stands high among English men of letters. He says in *Munera Pulveris*, pp. 59 and 60: "All cost and price are counted in labor; we must know therefore first what is to be counted as labor. Labor is the suffering in effort. The cost of anything is the quantity of labor necessary to obtain it. Quantity of labor is expressed by the time it lasts; so that the unit of labor is an hour's work, or a day's work."

Here then is a list of writers, which probably could be extended to a wearisome length, seven of them accepting Adam Smith's conception of labor sacrifice, or labor pain, as the ultimate essence of value, and the original purchase price of every labor product, of every commodity, of every service and of every article of exchange; a sacrifice which in sound logic must be accepted as equivalent, man for man, hour against hour, day for day. All of these writers no doubt intuitively recognized the truth and the justice of such a conception, but all of them quickly discarded this conception, and reasoned themselves away from this truth, because on second thought they could not make it fit into the actuality of the human life of their day. It did not fit, and could not be made to fit into a societary life and system based on force and fraud, on oppression and overreaching and the never-ending effort on the part of the stronger and more cunning to despoil the

weaker, with the crafty and alert ever aiming to climb upon the shoulders of the "man with the hoe," putting upon his back a four-fold share of the world's labor pain, "the burden of the world."

In the days of Adam Smith it would have been absolutely futile to follow up the labor sacrifice theory to its logically final conclusion, and to attempt its application as I propose to do now. Perhaps there were men in Smith's day, and prior to him, who did try to do this. If so, they have been securely buried in oblivion. Smith wisely gave the world but a glimpse of this truth, and then hastily turned off the light. Whether he did so consciously and on purpose I do not know, nor does it matter. Let us remember that he wrote his *Wealth of Nations* in the years from 1767 to 1776, before the American Declaration of Independence was proclaimed, and twenty years before the French Revolution; at a time when serfdom and semi-bondage still were common throughout Europe, especially for agricultural laborers; when slave hunting and slave trade were still carried on, and when actual chattel slavery was a recognized institution in English colonies and in the United States, and so remained for nearly another hundred years. At such a time, and under such circumstances, it would have been sheer folly to talk about equality of compensation for all kinds of useful work, including the work of the unskilled laborer.

This is not the place for any lengthy dissertation upon the age-long story of the enslavement of man by man, the weaker by the stronger.

Someone has said that the history of the human race is little else than a record of the efforts of the powerful few to tax the many, and the struggle of the many to escape such taxation. H. C. Cary (p. 170) puts it this way: "The history of the world is little more than a record of the efforts of the powerful few to interfere with the labor of the many and thus to enslave them." And we may now express the same thought in this way: *The history of the world is little else than a record of the efforts of the shrewd and strong to unload upon the shoulders of those below them an undue amount of that labor pain which must be borne by man if the race is to live in a condition of comfort and security of subsistence.* When Adam Smith formulated his economics the American Declaration of Independence had not yet been written; nor had the French Revolution promulgated its doctrine of liberty, equality, and fraternity; and prior to that there was no claim made to any belief in a universal brotherhood of man; and as far as known, no one conceived the idea of an equitable apportionment of the world's labor pain. But our age makes great pretense of equality and of brotherhood, and it is high time to substantiate that equality and brotherhood by an equitable and brotherlike apportionment to all men of this world's labor pain, so that no one shall carry a double or a four-fold share, while others escape the carrying of any, or merely carry a spurious, a make-believe load.

Political democracy, approximate political equality of men, has been achieved since Adam

Smith's time; but political equality proves a barren husk if it does not lead to industrial equality and social democracy; and this again is meaningless unless it means an equitable distribution to all, of the labor pain and sacrifice imposed by nature herself upon all life, including mankind. In other words, everyone should carry his proper share, and, generally speaking, that means an equal share of the world's labor pain. This, and nothing short of this, constitutes industrial democracy, industrial equality, and industrial justice. And this can be effected only in one way; not by compelling everyone to work a certain number of hours every day, no, *but by putting an equal value estimate upon the labor pain, hour for hour, of every man who performs useful work of standard efficiency in any calling whatever, skilled or unskilled.* Nothing less than this constitutes genuine democracy, nothing less than this constitutes true equality, nothing but this can put real meaning and sense into the words human brotherhood.

It is to be hoped that men in the foremost countries of civilization have now so developed a sense for equal rights and for brotherhood, and that they have overcome the universally inherited selfish instincts in sufficient measure to be willing to accord to others a value estimate and consideration for their labor pain, equal to that which they put upon their own; and that therefore, in our day, to get a hearing for such a gospel of brotherly justice is not utterly beyond hope. I do believe that today men may be able to concede that the pain in Smith's back and

muscles is entitled to the same consideration as is the pain in Jones' back and muscles; that the labor pain endured by Jim, and Tom, and Smith are all entitled to the same consideration and valuation, though Jim wields pick and shovel, Tom wields hammer and saw, and Smith uses pen or pencil. If Jim, the laborer, digs a trench in which Jones, the plumber, is to lay a pipe, Jim will endure greater labor pain and have sorer back and muscles after eight hours of steady work, and be far more exhausted and fagged out, than Jones will be after laying pipe the same length of time. And without the trench being dug, Jones could not lay in it any pipe; if he could not have gotten someone to dig the trench for him, he would have had to do it himself, and he would have had to endure that greater labor pain which now he shifts onto Jim.

Let us recall what Adam Smith and his followers said: Labor, the toil and trouble of producing, is the original purchase price that was paid for all things; and equal quantities of labor may be said to be of equal value to the laborer, since he must lay down equal sacrifices of ease, liberty, and comfort. The value of any product or of any industrial service rendered should be estimated according to the duration and intensity of the labor pain endured in producing such article or rendering such service.

And we, the privileged gentry of the skilled crafts and the so-called genteel occupations, let us, I say, fully realize, and keep vividly in mind, that the greater labor pain, the greater burden of irksomeness and fatigue, usually endured by



the unskilled laborers, is by them lifted from our shoulders; that we ourselves should have to do this work and endure this greater hardship ourselves, if it were not borne by those others. And let us further remember that this rougher work of unskilled and half-skilled labor, the hewing of wood and carrying of water, the sweeping, cleaning, and digging; the plowing and reaping; that all this rough work is, generally speaking, indispensable and necessary, while much of the finer work is rather unessential. Let us then hasten to accord to these workers equal value and equal pay, and consider ourselves fortunate if they do not some day turn the tables on us, and by weight of their numbers force upon us and our services the inferior valuation.

But some readers may still resist this reasoning and cling to the notion that acquired skill implies a labor pain of training and a sacrifice of time and money, and on that ground entitles the possessor of this skill to a correspondingly higher compensation. They may not be able to get it out of their heads that nimbleness of wit and dexterity of hand impart to things cunningly wrought a superior virtue and value, because that opinion has been so long and so universally accepted. Nor can they get it into their heads that this is not the final and crucial test of value, but that the real test of value is this: *How much toil and trouble, how severe a labor pain, and how many hours of same, is involved in this thing or that service; how much labor pain has the producer put into this, and does he*

*save me if I acquire this thing from him by purchase or exchange; that every fair and equitable exchange should be an exchange of equal amounts of labor pain or sacrifice.* This idea it will be as hard to get into the heads as it will be to get the other idea out, because it has never been clearly and adequately presented, at least not as far as general knowledge is aware.

However, let us briefly examine the claims advanced on behalf of skilled labor as against unskilled, both as to historical origin, and as to present justification. And the first question I would ask is whence comes this unskilled labor? Undeniably a large part is engendered in the cities, both large and small. Boys and young men coming from illy regulated homes, or from homes oppressed by poverty, where the boys at an early age are sent out as bootblacks, news or errand boys, or in similar ways to help earn the family subsistence; and these boys neither have the chance for a full school education, nor the chance to learn a skilled trade. Let us grant that some are born with a roving, shiftless disposition, and some perhaps with a low grade of mentality. And incidentally, dear reader, let me remind you that to be so born is not the deliberate choice of these individuals but their misfortune, an accident of birth. But the most prolific source of unskilled labor is the surplus country population, which is ever drifting to the cities. These people mainly make up the great army of pick and shovel men, employed in street and sewer construction work, in excavations, and as yard laborers and helpers in large industrial

plants, freight handlers, teamsters and stablemen, etc. And ruling custom assigns to this class of labor a wage similar to that paid for labor help on the farm. While many of these laborers are recent immigrants, such are likewise for the greater part excess country people, and they bring with them an exceedingly low standard of living, habits of submission, and acceptance of low living conditions; and the influx of great numbers of these people constantly renews a depressive influence upon the economic condition of unskilled labor and farm help, since they carry with them their inherited historical and economic status.

Adam Smith in his *Wealth of Nations*, Book I. and Book III., gives an exceedingly interesting explanation of how it came that agricultural labor in Europe was far more illy paid than the mechanics and artisans of the towns. His account of the circumstances which brought this about is too lengthy to be here reproduced with any degree of fullness, and I can only present some condensed passages:

“In the ancient state of Europe the occupiers of land were all tenants at will. They were all or almost all slaves; but their slavery was of a milder kind than that known to the ancient Greeks or Romans, or even in our West Indian colonies. They were supposed to belong more directly to the land than to their master. They could be sold with the land but not separately. They could marry, with the consent of the master, but he could not afterwards dissolve the marriage by selling the man and wife to differ-

ent persons. If he maimed or murdered any of them he was liable to some penalty, though usually a small one. They could not acquire property; whatever they acquired was acquired to the master, and he could take it away from them at pleasure. It was properly speaking the master who occupied his own lands and cultivated them by his bondsmen. This species of slavery still exists (1775) in Russia, Poland, Hungary, Bohemia, Moravia, and other parts of Germany. It is only in the western and southwestern parts of Europe that it has gradually been abolished." (Book III, chapter 2, p. 344.)

"The inhabitants of cities and towns were, after the fall of the Roman empire, not more favored than those of the country. The privileges which we find granted by ancient charters to the inhabitants of some of the principal towns in Europe sufficiently show what their condition must have been before these grants. People to whom is granted a privilege that they might give their own daughters in marriage without the consent of their lord; that upon their death their own children and not the lord should succeed to their goods, and that they might dispose of their effects by will, must before these grants have been nearly in the same state of villainage with the occupiers of the land in the country. But how servile soever may have been originally the condition of the inhabitants of towns, it appears evidently that they arrived at liberty and independency much earlier than the occupiers of land in the country." (Book III, chapter 3, pp. 352-3.)

Adam Smith explains this at considerable length by the strife between the barons, or lords, and their kings, in which the kings usually sought the help of the towns, granting them many privileges, among which were the rights to fortify the towns, keep armed forces, have their own magistrates and ordinances, and to incorporate their trades in guilds. The towns thus became powerful as well as rich, could defy the barons and give protection against these to their citizens. And in Book I, chapter 10, he tells how the inhabitants of the towns made use of their better political and social position to take advantage of the tiller of the soil and to oppress him pecuniarily in their business dealings with him; that is, they over-reached him in the exchange of products, which as we now understand is really an exchange of labor.

“The policy of Europe occasions a very important inequality in the advantages of different employments by restraining competition in some employments to a smaller number than otherwise might enter them. The exclusive privileges of incorporated guilds are the principal means for this purpose. The exclusive privilege of an incorporated trade necessarily restricts the competition in the town where it is established to those who are free of the trade.\* To have served an apprenticeship in the town under a master properly qualified, is commonly the requisite for obtaining this freedom. The by-laws of the corporation regulate sometimes the num-

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\* Free of the trade means free to, or permitted to practice that trade or handicraft.

ber of apprentices which any master is allowed to have, and almost always the number of years which the apprentice must serve. The intention of both regulations is to reduce the number of competitors in such trade. In Sheffield no master cutler can have more than one apprentice at a time, by a by-law of the corporation. In Norfolk and Norwich no master weaver can have more than two apprentices under pain of forfeiting five pounds a month to the king." (Wealth of Nations, Book I, chapter 10, p. 107.)

Smith cites similar corporation by-laws for hatters and for silk-weavers, some of which he says were confirmed by public law of the kingdom, and binding anywhere in England and English plantations.

"By the 5th of Elizabeth, commonly called the Statute of Apprenticeship, it was enacted that no person should for the future exercise any trade, craft, or mystery, at that time exercised in England, unless he had previously served to it an apprenticeship of seven years at least; and what before had been the by-law of many corporations became in England the general and public law of all trades in market towns." (p. 108.)

Smith says that seven years seems to have been all over Europe the usual term of apprenticeship in the greater part of incorporated trades; and he severely condemns such long apprenticeships, as both unnecessary for acquiring a reasonable knowledge of any trade, and as injurious to the character and habits of the apprentice, since he generally served without any

other pay than merely his keep in board, lodging and clothes; and thus he had no incentive to spur him on in his work, but on the contrary fell into a spirit of sullen resentment toward the master, and gave him in return the smallest service he could get by with. Smith contends that the whole purpose, and the actual result of these regulations, was to restrict competition between the followers of each craft, and thus artificially cause a scarcity value of their products, and enable them to exact prices for their goods far above what free competition would have allowed. The burden of these excess prices fell upon the people of the country-side, the occupiers and tillers of the land, who had no opportunity for off-setting these maneuvers by united action and corporations of their own. And thus were established customary rates of pay for labor on land, of half, or less than half, the rate of pay for mechanics and artisans of the towns.

“The government of towns was altogether in the hands of traders and artificers, and it was the manifest interest of every particular class of them to prevent the market from being overstocked with their own particular goods. Each class was eager to establish regulations for this purpose, and if it was allowed to do so, was willing that other classes should do the same. In consequence of such regulation each class was obliged to buy needed goods from other classes at a somewhat higher price than they otherwise might have done, but was enabled to sell their own products at a similarly enhanced price; so that so far it was as broad as it was long. But

in their dealings with the country people they were all great gainers; and in these latter dealings consists the trade which supports and enriches every town." (Book I, chapter 10, p. 112.)

"Every town draws its whole subsistence and all the materials of its industry from the country. It pays for these chiefly in two ways: first by sending back to the country part of those materials wrought up and manufactured; secondly by sending to it both crude and manufactured produce from other countries, or from distant parts of the same country. The wages of the workmen, and the profits of their different employers, make up the whole of what is gained upon both. Whatever regulations therefore tend to increase those wages and profits beyond what otherwise they would be, enables the town to purchase with a smaller quantity of its labor, the produce of a greater quantity of country labor. They give the traders and artificers in the town an advantage over the landlords, farmers, and laborers in the country; and break down that natural equality which would otherwise obtain in the commerce between them. The whole annual produce of the labor of society is annually divided between these two sets of people [city and country]. By means of those regulations, above described, a greater share is given to the inhabitants of the towns than would otherwise fall to them, and a lesser to those of the country. (p. 113.)

"The industry of the town, by these means, becomes more advantageous, and that of the country less so. That the industry in towns is



everywhere in Europe more advantageous than that which is carried on in the country we may satisfy ourselves by one very simple and obvious observation. In every country of Europe we find at least a hundred people who have acquired great fortunes from small beginnings by trade or manufacture, for one who has done so by activity that properly belongs to the country, by the cultivation of land. The inhabitants of a town, being collected in one place can easily combine together. The most insignificant trades carried on in towns have been incorporated. The inhabitants of the country live dispersed and cannot easily combine. They have never been incorporated, and the incorporation spirit has never prevailed among them. No apprenticeship has ever been thought necessary to qualify for husbandry, the great trade of the country." (p. 114.) Smith contends that it requires more sense and sound judgment to be a successful husbandman, than is required in most trades.

"The common ploughman, though generally regarded as a pattern of stupidity and ignorance, is seldom defective in his judgment and discretion. In China and Indostan both the rank and the wages of the country laborers are said to be superior to those of the greater part of artificers and manufacturers. They would probably be so everywhere, if corporation laws and corporation spirit did not prevent." (p. 115.)

"Townpeople of the same trade seldom meet together for merriment or diversion but the conversation ends in a conspiracy against the public

or in some contrivance to raise prices." (p. 117.)\*

This is Adam Smith's explanation of how arose the custom of paying country labor, from which so largely the unskilled labor of the cities is recruited, a much smaller wage than is paid mechanics, artificers, and traders. Smith says in effect that country labor was the last to emerge from actual bondage; that the wages of mechanics and craftsmen were artificially raised as the result of rules and regulations instituted by incorporated guilds; which raised the price of their products above the level that free competition would have established, and which enabled the masters to pay their journeymen help much higher wages than labor on the farm was able to command. In other words, it was effected through such "trusts" and combinations in restraint of trade, as in modern times have been condemned and outlawed, and by methods which we of today characterize as criminal, as fraud and imposition; methods which in the exchange of products circumvent and defeat that exchange of labor for equal labor which is the economic ideal of fairness and justice, and which practically all economists proclaim as such.

Now while Adam Smith's explanation may not cover the entire case, and while he may have overlooked some things and over-estimated others, yet he was beyond doubt the most clear-

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\* My copy of Adam Smith is a 1914 Everyman's Library edition, and the page numbers given may not correspond with those of other editions of the *Wealth of Nations*; but it should not be difficult to locate the cited passages by book and chapter stated. The passages given are not full quotations but are much abbreviated.

sighted of all economists, and the most eminent. He was a man of rare learning and insight, a traveler and a student, and of unassailable character. He spent ten years writing his great book "An Inquiry into the Wealth of Nations," and in doing so delved deep into historical records, examining many original documents, and was thus able to embody much valuable information in his book. This man's words are entitled to a most respectful hearing, and his opinion should carry great weight generally, as also on the points discussed above, explaining the causes which established the discriminating low rate of pay for country labor, and hence for the unskilled labor of cities, largely recruited from the country.

But, as remarked above, Adam Smith's explanation may not cover the whole case; there may be additional causes which contribute to the same effect, some of which may have come into play since Smith wrote. Let us see what further can be brought forward as accounting for the low estimate put upon unskilled labor and its principal recruiting source, farm labor. That the peasant labor of Europe emerged from bondage and serfdom long after the mechanics and artificers of the cities were free, is a well known historical fact. The catching of and trading in negro slaves began, as far as modern Europe is concerned, in 1442, and was not outlawed till about the close of the 18th century. The serfdom of peasants was not abolished in Prussia till 1810 and in Russia in 1861. Peonage ceased in Brazil in 1885; and actual negro slavery continued in English colonies until 1833 and in the

United States till terminated by the civil war, 1863. All this time the mechanics of the cities had been free of bondage for hundreds of years; and note that in all the above cases it was the peasant, country labor, that had been freed at such a late day, and that the black slaves of English colonies, and in the United States, were practically all either domestic servants or plantation laborers, agricultural labor. The slaves of our Southern States worked in the corn and cotton fields, on sugar and tobacco plantations. When this labor was changed from slave to wages labor, it naturally followed that it was paid a mere subsistence wage, a wage commensurate for a serf; and these people, rejoicing in their new-found freedom, were content with this wage, and thus it must have had a very depressing effect on the compensation of all country labor, and on the prices commanded by the products thereof. This accords with, and reenforces the reasoning of Adam Smith, and shows that the low valuation of farm labor is largely an after-effect of ancient and medieval slavery.

But there are still other causes which contribute to the same effect. One of these causes, it seems to me, has been overlooked by all writers on economics that have come to my notice. That cause lies in the fact that in the very nature of things there must be a continual decrease in the required amount of farm labor as compared with industrial and commercial labor, in every country of advancing civilization. The farmer produces principally the necessities of food. This is a quantity, the demand for which is limited by the

number of mouths to be fed; even a millionaire can eat only a certain amount of bread, meat, and potatoes. The demand for food is distinctly limited; but not so the demand for improved wear and housing, for increased conveniences and comforts, which are the products of industrial labor. For these products there is no definite limit, the only limit being the purchasing ability of the people and their desire, and this increases with every advance in civilization. And even the amount of farm labor, required for a given amount of farm produce, is constantly declining, owing to the increased use of farm machinery, and the substitution of steam, electricity, and gasoline for horse and man power, not only for transportation and haulage, but also on field and farm itself. While this machinery displaces farm labor, the making of same requires additional industrial labor. In consequence of this inevitable accompaniment of an advancing civilization, farm labor is continually in excess of the demand; and its market price is correspondingly depressed; and, drifting into the cities as unskilled labor, it depresses the wage rate there for that class of labor. In other words, unskilled laborers are the victims of the irrational conditions resulting from permitting unregulated supply and demand to rule in these matters.

Adam Smith contends that the agricultural laborer, the common ploughman he says, has more sense and discretion than the town mechanic, and possesses superior intelligence; and that the husbandman requires in his work more knowledge and experience than is required in

the greater part of mechanic trades. I do not subscribe to this opinion, at least not for our time and especially for European countries; and I prefer to argue the case for unskilled, and for farm labor, rather on the opposite presumption, that the farm laborer, and the unskilled laborer, on the average, is less intelligent and less alert than the city bred mechanic and artisan; and that less skill and intelligence is required in his work. I have on a previous page admitted this in regard to valuation, and I have offset that lesser skill with the greater irksomeness and labor pain generally endured by the unskilled laborer. Let us admit, for the sake of argument, that this unskilled laborer, whether city bred or from the country, is dull and stupid and ignorant. Would you punish him for that? Is it really his fault in the sense of his being blamable for it? It would be as reasonable to blame the blind or the deaf for being so born, and to punish them for their misfortune. The man who is dull and stupid is not so because it is his deliberate choice to be so; not at all. It is the unpropitious accident of birth; he is the victim of a low grade heredity. This is his misfortune, not his choice. If he is ignorant, that also is his misfortune. Either he had no chance for schooling, for acquiring education, or learning a trade and becoming a skilled worker, or else he was born without capacity and disposition for such things; and this again is a matter of heredity and accident of birth. To be born in a country or in a district that makes no provision for schools, and does not impose schooling upon the children, but lets them grow

up illiterates, is not the victim's choice, but his misfortune; a misfortune which befalls 85 per cent of the Russian peasants, as well as a large per cent. of people in southern Europe, and quite a number of the colored population of our own Southern States as well as many poor whites in the hill districts. Add to this the evil of child labor, which is rampant in this country as well as abroad, and which foredooms many children to comparative ignorance of letters, as well as to work in so-called unskilled pursuits. Thus it is that by misfortune of ill birth, or by the misfortune of ill circumstance of environment and condition during childhood, these unskilled workers have become for you hewers of wood and drawers of water; and would you now add injury to their misfortune by putting upon their labor pain a value estimate of one-half or one-fourth the value you put upon your own labor pain? For shame man, you who thinkest so, go and hide yourself, and talk you not of social justice or of human brotherhood.

Know you not that the real and final value determinant of anything is the amount of labor burden, labor pain, endured in producing such thing; and that when you acquire any such thing by exchange or by purchase, which is but another name for exchange, then you are saved the labor pain necessary for producing this thing, since the producer thereof has endured that labor pain for you; and there is not, and cannot be, any fair and just price in exchange, other than an equal amount of labor pain, embodied in some other article, or endured in rendering some ser-

vice in exchange, as the ultimate purchase price for such thing? This has already been stated several times, but it cannot be repeated too often, because this is the basis of the entire economic philosophy and the value theory presented in this book. I see and I know many men, utterly stupid and ignorant, and, what is worse, vile in character, debased, vicious, repulsive; with whom I would not associate nor have any companionship, who could under no circumstances be my friends nor I theirs; yet when such a one performs a day's labor of standard efficiency, then, I say, he is entitled to the same reward, and his labor pain to the same consideration, as my day of labor pain and labor of standard efficiency, regardless of his looks, his name, or his moral character. In the value estimate of labor pain all should stand upon a level of perfect equality.



## CHAPTER VII.

### NO LABOR WITHOUT SOME SKILL. PRESENT TENDENCY TOWARD EQUAL COMPENSATION.

But many people will still be unable to accept as sound and logical this reasoning which emphasizes labor pain as the real value determinant; They will not be able to discard the notion that skill and training of the laborer imparts a superior value to his product, and that this in turn reflects a corresponding value on the labor or service involved; and that therefore this skill and capacity is the deciding factor in value determinations. Do not overlook the fact that I have assumed utility as an essential element of value, and that I also have insisted on capacity and efficiency when I specified "useful labor of standard efficiency." Now standard efficiency does not necessarily and exclusively mean deftness of hand and a trained eye; it may also mean trained strength and endurance. In this sense there is really no unskilled labor; for even the roughest and least dextrous requires some degree of practice and training to acquire proficiency and endurance. There is a certain kind of skill required in wielding a pick or shovel effectively, and considerable in wielding a sledge hammer or an axe or a woodsaw. So there is in shoving lumber or handling brick or freight and live stock; as certainly it requires skill to drive teams, especially on the crowded streets of large cities. In all similar work a certain measure of

skill and experience is acquired by the doing thereof, so much so that here a period of apprenticeship may be in order just as well as in the trades; and certainly it requires an apprenticeship to become proficient at farm labor, plowing, seeding, harvesting, milking, tending stock, and various other jobs, many of which in these latter days involve the use of machinery.

Let us next assume, for the sake of argument, that this unskilled labor is poorly paid because the supply thereof exceeds the demand, and therefore commands a low price or rate of wages; and that therefore, according to accepted political economy, a reduction of this supply of unskilled labor below the demand for same, might raise the price or wages thereof, even above the rate paid for skilled labor. Now all general educational institutions of these latter days, beginning with the public schools and on through the whole list of auxiliary schools, vocational, night schools, business colleges, and correspondence schools, not only raise the general level of intelligence, but continually push boys and young men into the so-called skilled pursuits, and tend to deplete the supply of unskilled labor. Generally speaking, common laborers, insofar as they are sensible and given to sobriety, will strive to give their children a better start in life than fell to their own lot; give them as much education as they can afford, and at least cause them to learn a trade. Even widows will skimp and deny themselves, to enable their children to attain a station in life, which, conforming to ruling notions, is better than that of a mere un-

skilled laborer. The increasing general intelligence also improves the heredity and early environment of the coming generations, so that, aside from actual defectives, practically all possess capacity for some form of skilled labor. These influences, gathering cumulative strength, will in a few generations reduce the supply of unskilled labor to a great scarcity, and by virtue of competitive effect bring about that equality of pay for skilled and unskilled labor, at which the skilled mechanic now is inclined to rage like a mad bull at a red rag. Why not instead of opposing the inevitable, accept it gracefully, and meet it in a sane and brotherly spirit? Why not accept this equality of compensation as eminently just and proper, and as the only thing that can establish peace on earth and good will among men?

It is true, the foremost nations, while they found schools, spread education, and establish some measure of democracy, which inevitably must lead to a scarcity of unskilled labor as shown above, have at the same time pursued a policy of increasing that supply by opening their gates for the influx of cheap labor, even to the extent of importing captive negroes and maintaining chattel slavery. In this wise the fathers have left behind them in this country the ominous curse of a race question. And there are men in this country today, so fatuous as to advocate the mass-importation of Chinese coolies and other alien and unassimilable races in order to provide a supply of cheap common labor; thus proposing to add another race question to the one that now

baffles our wisest minds. Such proposals are unblushingly made, by men belonging to the dominant class, the so-called employing class, in order to secure an abundant supply of cheap labor, and thus prevent the rate of wages for common labor from rising to a higher level of compensation, such as it, and agricultural labor, might attain if not thus arbitrarily checkmated. It is this "we," this dominant and ruling faction in every country, that thinks "it" is the nation; that speaks of "our" country, "our" resources, "our" soldiers; and who seem to think that for their class all things exist, and in their interest all things are to be managed; foreign markets captured, and colonies acquired, that "we" may trade there and get rich; cheap labor secured that "we" may compete in the markets of the world, and everything done, that "we" may rise to dizzy heights of opulence, regardless of what happens to those whom they think of as the common herd. That also seems to be the chief desideratum of the political and economic policies of present day statesmanship, and the highest wisdom of present day scholars.

But it is high time to reverse such a policy; to cease worshipping these false ideas, and to substitute for them ideals of social justice, of fair dealing, of making men in fact co-heirs of this world and its opportunities for the life abundant, by putting an equal value estimate upon all men's labor burden, hour for hour, whenever the same is useful and of standard efficiency. Until this is done mankind will be scourged by

war, by poverty, by crime, and by the blind gropings for redress of infuriated masses of men.

I said that even today a distinct tendency toward equality of compensation is discernible, at least in this country, and probably likewise in other leading countries, as this accords with the tendency of the times and the rising tide of democracy. When the United States mobilized its army for participation in the European war, the pay of the common soldier was nearly doubled, while that of the officers was raised but slightly over what it was at the time of the Spanish American war. The daily papers of May 18th, 1917, had this item among others relating to the new army bill as finally passed: "Increasing the pay of all enlisted men as follows: Fifteen dollars additional monthly for those now receiving less than twenty-one, comprising the bulk of the army; and six dollars additional monthly for those receiving forty-five or more. This is an increase of 71 per cent on the lowest pay and only 13 per cent on the higher pay.

"The directors of the Western Union Telegraph Company at a recent meeting voted to give their employes two special payments during the year 1917 to meet the high cost of living. Employes receiving less than \$1200 a year will receive an additional 8 per cent of their annual wages; those receiving from \$1200 to \$2000 will get a 6 per cent addition, and those receiving over \$2000 will get 5 per cent." Newspaper item, July 6, 1917.

"The teachers in the grades of Milwaukee

public schools went on record in favor of a living wage at a regular meeting Wednesday of the Teachers' Association, recommending a bonus of \$120 a year for those receiving \$50 per month; \$60 for those receiving \$55 per month; and \$45 for those receiving from \$60 to \$90 per month." Milwaukee paper, October 11, 1917.

"The Trustees of Purdue University (Lafayette, Indiana) have announced that the professors and instructors are to receive an increase of salary averaging 10 per cent on a sliding scale, the ones drawing the lower salaries getting the larger increase." Newspaper item, September 24, 1917.

"Representative Keating asks Congress to increase the wages of all federal employes; the increase to range from \$300 for those receiving less than \$1200, to \$60 for those receiving between \$1800 and \$2000 a year. For \$2 a day workers an increase of \$1 per day is asked; for those receiving \$2.50 an increase of 80 cents is asked, for \$3 men 60 cents, and for \$4 men an increase of 20 cents per day." News item, December 28, 1917. This I understand is a proposition emanating from Samuel Gompers of the American Federation of Labor.

The daily papers of January 1, 1918, reported Governor Whitman of New York as having made the following statement: "I have allowed increases for practically all those in labor, mechanical and low paid clerical and technical service, where requested by department heads; but I have disallowed all requested increases for employees now receiving \$3000 a year or more."

The above six items are indications showing that the world is groping its way toward equal compensation for all useful labor of standard efficiency.

Uplifters have for a number of years been advocating a minimum wage, especially so for women. I have before me a newspaper clipping dated August 17, 1917, and credited to the New York Survey. It says, "The Supreme Court gave a decision on April 9th, upholding as constitutional the Oregon minimum wage law. This has given impetus to the enforcement of State minimum wage legislation that has been awaiting federal judgment. The Arkansas Supreme Court has upheld the Arkansas minimum wage law providing a flat rate of recompense for inexperienced women of not less than one dollar a day of nine hours. More recently the State Industrial Welfare Commission of California has announced a revised wages schedule for women employed in mercantile establishments. It provides a rate of not less than \$10 per week or \$43.33 a month for experienced women; and \$6 per week for girl learners under 18 years, and \$8 per week for those between 18 and 20 years, and for both an increase of 50 cents per week every six months until the standard rate of \$10 per week has been reached. The hours are limited to eight per day and not to exceed forty-eight a week."

Men are discussing a minimum wage now; I venture to say that soon they will discuss a maximum wage. And why not a maximum wage? That is what the discussion of a minimum

wage naturally will suggest. And what can that maximum be? Only one kind of natural maximum wage is possible or thinkable, and that is a wage which is equal for all whose work is of standard efficiency. From this conclusion there is no escape, it is certain fate, manifest destiny.

Much has of late been written about the high cost of living, and most of it has been silly stuff, evidencing the dense ignorance of the writers. The blame for this high cost has been laid on the railroads, on poor wagon roads, on faulty marketing, on poor farming and wastage on the farm, on the middlemen, commission men and retailers, on speculators, on bankers, on Wall Street, and on the produce exchange, on the money system and even on an excessive gold supply. This is all phantom chasing. The plain and simple truth is that the farmer is beginning to come into his own, is beginning to demand a fair compensation for his work, and his help is demanding a fair wage; encouraged to do so by the comparative scarcity of farm labor, which is beginning to make itself felt, and which is caused by the drift of farm laborers to the better paid employments in the cities. Farmers are beginning to look upon themselves as being just as good as other men, and entitled, equally with other people, to the comforts and decencies of civilized life, and they are demanding and getting better prices for their products than ever before was the case; hence cost of living has gone up for city people, and we may rest assured it will never come down to what formerly it was. The work of the farmer and his help will have to be



paid at approximately the same rate as the work of mechanics in the cities, or the farmers' sons and daughters and hired men will continue to drift to the cities as they have been doing, until an equilibrium is established and until farm laborers, because of increasing scarcity, rank as high in pay as city mechanics. This is the tendency toward equal compensation; and as this influence raises the pay and the value estimate put upon farm labor, so will the latter, because of its correlation, help to raise the pay and the value estimate put upon unskilled labor in the cities toward that common level of equality for all useful work of standard efficiency which is the gospel and the prediction of this my book.

I fear that this long argument has wearied some readers. But it has been necessary in order to convince men of the reasonableness and the justice of estimating all labor pain alike, in whosoever's back and muscles it is felt; and of putting the same value estimate on all kinds of useful labor of standard efficiency, hour for hour. For upon this my entire economic philosophy and the validity of my value theory depend. Once this principle of equal value and equal compensation for every standard efficiency labor hour is accepted, then the theory follows as a matter of self-evident logic, that the value of any article of exchange, any commodity, depends upon how many hours of standard labor is embodied therein. But it will probably be necessary to repeat these arguments over and over again, before the dormant sensibilities of any great number of this poor humanity is awakened. I shall,

however, now end this part of the discussion with a few brief statements.

Many years ago I heard a speaker recite these lines, which at the time were new to me:

“Till the war drums throbbed no longer and the  
battle flags were furl’d

In the Parliament of man, the Federation of the  
world.”

These lines have been ringing in my ears ever since with a strange significance. While Tennyson had in mind a parliament of nations, to settle political and international disputes, I at once applied these lines to the industrial warfare and disputes within nations. What do you suppose, dear reader, such a parliament of man within a nation, representative of all the various workers in that nation, would decree, in order to establish general industrial justice and fair dealing for all, especially in regard to the distribution of the nation’s annual wealth production; which is but another name for fixing the compensation for all kinds of labor, and putting an estimate on every man’s labor pain? What would they decide? What else could such a parliament of man decree in this matter, than equal compensation for all kinds of useful work of standard efficiency? No other decision is thinkable.

I am addressing my plea to all men possessing mind and heart; to scholars, thinkers, and especially to economists. I am also addressing my words to the social bottom strata, the so-called unskilled laborers, the victims of the world’s unjust value estimates; that these men may be en-

couraged to demand fair play. But above all I address my words to skilled labor, particularly the crafts and trades organized into unions and federations, the aristocracy of labor; and I ask you, union men, once more: do you want to continue the universal feud, the endless dispute and contention about wages, the industrial war, the perpetual antagonism and clash of interests? Shall each organized craft strive against all other crafts and the rest of the nation for more pay, for advantage at the expense of all the rest of their fellow-citizens? Do you insist upon continuing under a so-called law of supply and demand, which in fact is but a disguised law of the jungle, a law of tooth and claw, a law of over-reaching and besting your weaker or unwary fellowman, or taking advantage of his weakness or his need and distress, to compel him to give you two, three, or four hours of his work for one hour of yours? Or do you want industrial peace; do you want to settle once and for all, what is a fair and just wage for every man and woman, by accepting this principle, that every man's labor pain is entitled to the same consideration; that all useful labor of standard efficiency is entitled to the same value estimate, and is of equal value? Are you ready to rise to that exalted moral attitude, of being willing to pay with an hour's service of yours every man who renders you an hour's service? Are you ready to pay with an hour of your labor for every hour of labor embodied in the article you purchase? Accepting this you accept that righteousness of

heaven, which having found, all things else have been promised unto you. O that my book may not be like a voice whose sound is lost in the wilderness and reaches no human ear.

## CHAPTER VIII.

### ULTIMACY IN VALUE AND SUMMARY OF VALUE THEORY.

Assuming that the reader has accepted this fundamental principle of equal value, hour for hour, for all kinds of useful work of standard efficiency, we see that all the difficulty of determining values has vanished. The perplexing value problem is solved; and it becomes a mere question of arithmetic, of adding up the sum of hours or minutes of standard labor embodied in any article of material wealth, from the first raw material, through all the various processes of manufacture, including transportation and handling in distribution, until it reaches the ultimate consumer. This theoretically solves the problem of determining the value of any article of economic exchange. In practice it may be expedient to add a certain per cent above this to the selling price, to take the place of various forms of taxation for raising the funds necessary to pay the salaries and other expenses of education, administration, the judiciary, and for health, police, and fire protection; as well as for replacement and addition to the machinery of production and transportation. I defer consideration of this detail to be taken up in Part III.

I shall now discuss what some economists have called ultimacy in value; and perhaps some readers have already felt this to be missing in my discussion.

Granting that the amount of standard labor time embodied in any article measures, or determines, the value of that article, it may be asked, *what* is the value of the labor hour; how is that value to be expressed in concrete and definite terms, expressed in terms of the money standard? What, in such terms, is the value of one hour's labor; how is the value of one hour's standard labor to be measured? Where is the ultimate in value expression to be found?

This I have not yet answered; so far I have dealt only in comparisons, compared the value of one hour's labor in one field with one hour's labor in another field of work, and I have contended for equality of value without giving these hours of labor a quantitative expression, aside from their time value. In other words, this value theory has not yet passed beyond the stage of being a mere ratio of indefinite quantities; ultimacy is still wanting, still to be found. *The ultimate of value expression, the value of an hour's standard labor is simply to be arbitrarily designated by proper authority and given a name, either as an hour ticket or check, or as some convenient and appropriate sum of money, current in whatever country accepts this economic philosophy and value theory.*

This answer will probably be rejected by many; they will not be able to understand it because of its very simplicity; it will baffle them at first thought. To assist the reader in grasping this idea, let us consider the somewhat parallel case of establishing standard measures of length by arbitrary decree. Even a primitive

civilization needs some standard of weight and measures. It is interesting and instructive to read the various encyclopedia articles and other discussions on this subject, which show that primarily men used various parts of the human body as measures, such as the foot, the forearm (cubit), the palm or "hand," the finger or digit; and they also used wheat and barley grains, both for measures and weights; the names of some of these still being in use. These measures as also their originals, the human foot and arm, were of course very indefinite and varying in length, and in course of time, when greater definiteness was required, had to be arbitrarily defined by legislative authority, in order to bring about some degree of uniformity. And thus at various times during the middle ages the kings or rulers had standards prepared, embodying length and weight; bars for length and stones or metal pieces for weight; and efforts were made to enforce conformity thereto. It is said that the length of Charlemagne's foot was taken as the standard length of a foot, and was acknowledged in a large part of Europe as such during the Middle Ages, and known in France as "the royal foot," until the adoption of the metre unit of measure. Similarly the length of Henry the First's arm was accepted as the length of a yard in England. Besides this, an old English statute declares that three barleycorns, good and dry, laid end to end, make an inch, twelve inches make a foot, and three feet make a yard.

However, authority in those days was rather uncertain, ever in dispute, and in many matters

divided. Consequently there was no uniformity in these measures as regards various parts of the same country, and none at all as between different countries; and indeed there is not today, except a partial uniformity, where the metrical system has been legalized and more or less completely adopted in actual practice. Provinces and towns formerly exercised in such matters great independence, with the result of causing much confusion and variation in the magnitude of like named measuring units. "It is stated in a Dictionary of Weights and Measures of 1850, that there were at that time known and recorded 5227 varieties. There were 135 varieties of the foot, 60 of the inch, 29 of the pint, 53 of the mile, and 235 of the pound. The range of variation of the foot has been from  $8\frac{3}{4}$  to  $23\frac{1}{4}$  inches as measured by the present English standard inch." (Professor Le Conte Stevens in *Popular Science Monthly* for March, 1904.)

It is not pertinent here to pursue this interesting subject further. The point that I want to make is this: that there was chaos and confusion in length measures and in length designations, as there was, and is today, confusion and chaos in value measures, value concepts, and value estimates; that length and weight questions were at last settled, and length defined by arbitrarily selected standards. And that similarly a value unit of designation may be arbitrarily selected, which once chosen and legalized, will serve all men alike, and be the same to all men, just as a foot or an inch is the same, and would still have been the same to all men within the jurisdiction, no mat-



ter if they had been chosen ten or fifty per cent longer or shorter than was actually the case. They would have answered their purpose precisely as well as they do now.

I speak advisedly when I say that standards of length were arbitrarily selected. While it is true that the French savants tried to derive their metre from a fixed physical dimension of the earth, a ten millionth part of a meridian quadrant, that is to say, a line on the earth's surface from the pole straight down to the equator, the selection of a ten millionth part of this was strictly arbitrary; they might as well have selected a nine or a twelve millionth, instead of a ten millionth part. And moreover, it is now asserted that the French engineers, who spent seven years, from 1791 to 1798, measuring the distance from Dunkirk in Northern France to Barcelona in Spain, and from these nine and a half degrees of the quadrant calculated the rest of the distance from the equator to the pole, after all failed to find the accurate measure of this distance.

According to later calculations of Captain Clark, meridians vary in length, and the one at Paris, practically identical with the one at Dunkirk, he found to be 472 metres longer than calculated by the French. But this is of no earthly importance, and for all practical purposes the French engineers might have saved their seven years of labor, and arbitrarily chosen any convenient length, called it a metre, and prepared their precise standard bars to embody this length, for future reference and for

copying, after the same had received proper legal sanction. Thus we see that in two ways the metre is an arbitrary choice of length unit. In the first place because it was an arbitrarily chosen fraction of a supposed physical dimension of the earth; and in the second place because it is a practical impossibility to measure with certainty and accuracy such a dimension of the earth; and as it now appears, the men who attempted to do so, failed in their object. "We have the opinion of several of the highest authorities in England to the effect that there is no advantage in adopting a unit of measure founded in nature over one of arbitrary character." H. W. Chrisholm in *Weights and Measures*, page 97. This is undoubtedly true, and if the establishment of the metric system by the French had been deferred until the present day, the French savants would no doubt have chosen 36 English inches, or perhaps better still 30 English inches, as their arbitrary unit, and called that length a metre. This would have made the French and the English system of length measurement more readily commensurable and convertible. One decimeter would then have equaled three inches, one centimetre three-tenths of an inch, one yard would have been equal to one and two-tenths of a metre, and one metre would equal two and one-half feet or 30 inches, instead of 39.37079 inches as at present is the case, a very cumbersome fraction in all work of converting English into French measure and vice versa.

The English standard yard is theoretically also an arbitrary selection, though regard was

had to the measures of length at that time commonly in use in England, and which custom had already reduced to an approximate uniformity. The yards then in use were compared, and the average length thus found was adopted as the precise length of a yard, and embodied in a carefully prepared standard bar, legalized, placed in the custody of the Exchequer Department, and a number of exact copies made and sent to various places for reference, both in England and in other countries. Two of these were in 1855 sent to the United States, and have since been in the keeping of the Coast Survey Bureau. The French established an entirely new system, with new names for their units; it was in France a time of upheaval and change. No such conditions prevailed in England, and the English merely gave precision to the old measures, retained the old names, and caused no inconvenience or hardships.

Similarly, in deciding on an arbitrary value designation of an hour's standard work, and finding for this an expression in the current money and value medium, regard may be had to the prevailing money equivalents of labor in various lines of work, the same averaged up, and a convenient approximation to that average designated as the money value of an hour's standard labor in every line of useful work. In this way there will be the least amount of friction and difficulty, both in the transition to the new system and in maintaining exchange of products with foreign lands. It may even be that the labor cost of producing gold, the generally

accepted money material, will be taken into consideration in designating the money value of a day's or an hour's work in general. But I do not consider this important, and I explicitly want to keep the money idea out of my value theory, as being something distinctly subordinate and secondary, a minor detail, easily settled when once the main question has been solved, the question of value, its nature, essence, and origin.

Whatever money designation for the value of an hour's standard labor may be chosen, 20 cent, 25, 30, 40, 50, or 60 cent, it should be some amount convenient for computation, and involving no fractions; and this sum, whichever it may be, would simply indicate a nominal value, a mere money name for the purchasing power of the labor hour, since the purchasing power of the labor hour in reality would be an hour's labor product, irrespective of the nominal amount in money. The money equivalent of an hour's standard work, or the rate of payment, once decided, would remain constant like the length of a yard, but the purchasing power of the labor hour or of its money compensation, as measured in products, would increase with the general progress in science, technique, and invention, with the increase in general efficiency, and with the elimination of waste and of mutually obstructive rivalries. In other words, the purchasing power of an hour's standard labor, as expressed in commodities, will increase as the productivity of labor increases. The rewards of increased effectiveness, due to new discoveries, inventions, and new processes, would not be re-

stricted to the particular lines of industry in which these inventions and improvements are made, but would automatically spread to all the ultimate consumers of the product in question; that means, the benefit would spread practically to every member of the nation.

Still more concretely stated, the wages of standard labor would remain the same, but the selling price, to the ultimate consumer, of every commodity and convenience would continually grow less, as the world advanced in productive power. This would hold true also for the products of the farm, as agriculture is becoming more and more a science; with this proviso, however, that there may be occasional upward fluctuations of prices for farm products, due to unfavorable seasons and consequently diminished crop output. This might also apply to fishing, and perhaps to some other lines of work, in which, due to diminishing returns, the price of products would automatically go up. And in all such cases the loss would not fall only or chiefly upon that particular branch of labor, but would be automatically distributed over the entire community. This is as it should be—mutual insurance, bearing one another's burden.

Thus then a solution of the value problem is found. The ultimate in value designation is arbitrarily selected, like a unit of length, the yard or the metre, and assigned for an hour's useful labor of standard efficiency; and this labor hour becomes the value unit and value measure of every article of exchange. If, say, 50 cents were chosen as a suitable value expression for one

hour's standard work, then any article having embodied in it, all told, four hours of such work, from the first raw material to the last handling and passing to the consumer, would be worth two dollars, and the selling price to him would be two dollars plus a percentage to take the place of general taxes. And thus the perplexing value problem becomes exceedingly simple, almost too simple for belief; providing, dear reader, you accept as a fundamental principle the proposition of equal compensation for all kinds of useful work of standard efficiency.

I have in my reasoning accepted various fundamental tenets of standard economists, and merely carried them to logically final conclusions, conclusions for which their times were not ripe, and which they perhaps for that reason were unable to discern. I have accepted Adam Smith's labor cost, and labor pain cost doctrine of value, and carried the same unswervingly to a final conclusion, whereas Adam Smith stopped short and practically did abandon it. He said that the original cost and first price of anything is the toil and trouble of producing it, and that its value lies in the toil and trouble the possession thereof saves us. I have consistently adhered to this thought, and insisted that irksomeness, the labor pain endured and felt in the back and muscles of one man or woman, are entitled to the same consideration and value estimate as the pain felt in another man's back, or muscles, or head. I have likewise accepted the doctrine of the utility school of economists, accepted utility as an indispensable condition of value. But I have com-

bined these two ideas instead of rejecting one for the other, since they are so closely related as to be almost identical. For what is utility, or in what does it consist, but in saving us from labor pain, saving the possessor of the useful thing from the pain or distress of unsatisfied wants, unsupplied need, or from the labor pain he would have to endure in providing or producing the needed thing by his own labor. This labor pain, according to Adam Smith, is the original first cost and first price of any produced thing, and this price, I insist, is equal hour for hour, and passes over into the thing produced, becomes embodied therein and constitutes its value, providing, always, the thing is useful, possesses desirability, and that the labor which produced it was of standard efficiency.

I have also accepted, as far as it applies, the doctrine of the Austrian school, that value is determined by subjective imputation; in other words, that the value of a thing is determined by whatever value estimate men generally put upon that thing, hence, in this sense, value is a psychic phenomenon or fact. Granting that value in this aspect, the utility aspect, depends upon men's estimate, it has been my complaint that these estimates are made in gross ignorance, often are utterly absurd and foolish, and incredibly unjust. And I have pleaded for saneness and common sense in value estimates, have insisted that it is the duty and the function of thinkers and leaders of men, of philosophers and teachers, and especially of economists, to enlighten and instruct the world for the making of true and ra-

tional value estimates; and to put the value estimate primarily on the labor that produces, rather than on the thing produced. My whole argument has been to convince men of the justice and the reasonableness of *estimating* at equal value all useful labor of standard efficiency. This once accepted, then the value of things becomes something definite and ascertainable, a mere summing up of the hours of standard labor embodied in any given article, instead of the blindly groping, haphazard, absurd, juggled, or whimsically false estimate which at present it generally is.

The following eight statements now compactly summarize my value theory:

I. Economic value is the quality or capability of a thing, directly or indirectly, to satisfy legitimate human wants or desires.

II. Economic value is the product of human labor, physical or mental, embodied in concrete things, for direct or indirect use, in satisfying legitimate wants and desires that tend to preserve or enlarge human life.

III. Utility, or usefulness, is but another name for capability to satisfy human wants or desires. Utility therefore is the essence of value.

IV. To embody utility or value in a thing requires human labor; and this involves sacrifice of leisure and ease, and necessitates the steady application of mental or bodily energy during appropriate periods of time. This application of energy is called labor burden or labor pain; it is the original value equivalent, and is quantitatively designated by time of duration. The labor



hour therefore is the quantitative measure of value.

V. But since some labor may be misapplied or inefficient as a producer of value, it is necessary to specify that this value-measuring labor be applied to ends of usefulness, and that it be of standard efficiency.

VI. Since labor implies the expenditure of energy and life force; and since one man's life and vitality is as dear and as valuable to him as another's is to that other, it is self-evident that one man's sacrifice in labor pain must be accounted equal with that of another man's, and therefore entitled to the same consideration and recompense. Hence we cannot escape the conclusion that one man's labor pain endured for an hour, is the exact equivalent for another man's labor pain endured for an equal length of time. It therefore follows that all useful work, in justice and on principle, should be compensated alike, hour for hour, provided such work is of standard efficiency.

VII. The hour, or time-length, of standard labor, then is, or should be, the actual value determinant, and should measure the economic value of every producible article of exchange.

VIII. This labor hour value may be translated from a time expression into the terms of some current value medium, or medium of exchange, called money; and this money equivalent of the standard labor hour can be arbitrarily chosen at some appropriate figure, and with reasonable approximation to the labor time value of the money material used for the money units

or larger coins, insofar as a money material of intrinsic value is deemed advisable.

This summarizes the value theory presented in my book.

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In statement VIII, I have assumed a money medium or currency in which to give convenient expression to the value of an hour's standard labor, or in other words, to express the labor hour as a money quantity. Strictly speaking this is not necessary, but it may be expedient; and I have inserted it in order to assist the reader in grasping this value concept, and let him feel that he has something tangible and concrete to lay hold on, as explained a few pages back. Instead of assuming such a money expression, some fractional part of a dollar, as being the money value of an hour's standard labor, let us assume the hour ticket or bill to be the unit of value in a new money system, consisting of, say, one-hour bills, two-hour bills, five-hour bills, ten-hour bills, and so on; supplemented by a fractional currency of 5-minute checks or slips or stamps, 10-minute stamps, 15-minute, and 30-minute stamps. And there is nothing in the world to hinder us from further assuming that these minute stamps may be put upon round pieces of metal, nickel, or silver, just like our present 5-cent, 10 and 25-cent coins now in use. And the hour and two-hour check may be stamped on pieces of silver, the five and the ten-hour check upon pieces of gold; just as is our present gold and silver money, and circulating precisely as does the money of

today. Thus you would have the conventional money and the labor-time check absolutely merged and identical one with the other. What is to hinder this? Nothing whatever. Nor is there anything to hinder the adoption of a combination of the old with the new system, so as to retain the decimal features of the present system for convenience in computation and for the smallest fractional denomination.

I have said that this essay of mine is a treatise on the "value" problem; it does not pretend to cover the whole field of economics; and I have repeatedly said that I shall not deal with the question of "money" or the medium of exchange. Nevertheless, the suggestions given here, and in statement VIII, present the fundamental facts and basic principles upon which a rational medium of exchange or money system may be worked out.

Some points have been too briefly discussed in these chapters; they will be taken up in Part III, together with a few additional matters. I shall now close this chapter with one more appeal to the reader's heart and sense of fairness in behalf of the principle of equal compensation.

Reader, whoever you be, but especially if you are a skilled mechanic and a union man, I ask you to read once more the propositions set forth above, to establish a new money system, consisting of hour checks or bills and minute stamps instead of dollars and cents, and try to grasp the significance of that proposition. Then call to

mind the words of Scotland's ploughman bard,  
Robert Burns, who wrote

Then let us pray that come it may  
As come it will for all that,  
That man to man the world o'er,  
Shall brothers be for all that.

And think then of that "parliament of man" which surely will meet in every advanced nation ere many years, and in which all manner of labor will be represented in proportion to their number and real importance, to deliberate on the establishment of industrial justice within their respective countries. And suppose then, what is more than likely, that such a parliament decides to establish the labor hour money system, which implies the payment of an hour check for every hour's work of standard efficiency. Is it to be supposed that anyone would stand up in such an assembly and say: You may pay Tom or Dick an hour check for an hour's work, but my name is Harry and I insist upon getting two or three hour checks for an hour's work of mine. Is it to be supposed that any man would have the impudence to make such a demand?

Reader, would you?

For all that and for all that,  
It's coming yet for all that,  
That man to man the world o'er,  
Shall brothers be for all that.

## PART III.

### APPLICATION.

#### CHAPTER IX.

#### APPLICATION OF VALUE THEORY. SOME OBJECTIONS ANSWERED.

It has been shown in chapter II. that economists have so far not established a theory of value which is generally accepted as satisfactory and true; also that several of the later writers on economics virtually confess value to be an unsolved problem in economics. The present writer thinks he has solved this problem by combining the labor cost doctrine with the utility doctrine and giving both a wider and a deeper meaning; and that by specifying useful labor of standard efficiency he has reduced the value determining labor to that homogeneity which is necessary for a common denominator of value. I have enlarged upon, and emphasized, Adam Smith's doctrine, that labor, the toil and trouble, or labor pain, of producing a thing, is the original cost and purchase price of such thing, and that conversely this labor pain is what such a thing essentially is worth in further exchanges. I have dwelt upon this and repeated it time and again. For right here lies the difficulty that most men will experience in accepting, and indeed in comprehending, the idea that value and labor pain are true equivalents; in fact, we may say they are but two names for the same thing.

It will quite readily be granted that the pain, labor pain, in Smith's back and muscles, or head if you please, is entitled to the same consideration as is the labor pain in Johnson's back and muscles or head; and that the sacrifice of leisure and ease of the two is to be taken as equal, hour for hour. But that this naturally makes the value of Smith's and Johnson's labor equal, and their labor products equal in value, that will not readily be admitted, even when it is specified that both are engaged in useful work and both show standard efficiency; because this is such an unusual idea, so contrary to the world's universal habit of thought. Verily, it is an unusual idea, as unusual as absolute truthfulness, uprightness, and as a modest estimate of self is unusual.

He that through ages has been downtrodden, enslaved and made to perform hard labor at the meanest compensation, him the world has in course of time come to look upon with contempt, and as a man of very small value, and his labor, as well as his labor product, has been regarded as of correspondingly low value; while he who by shrewdness or by force of combination and special privilege has been enabled to exact a high price for his labor and his products, came in time, for that very reason, to be considered a very valuable man, and his work has enjoyed a high value estimate. This, of course, is not granting equal consideration for the labor pain of all men; and to this evidently no one gave a thought in times past, though I believe the world is now a little more inclined to estimate one man's labor pain equally with another's. But that equality of labor

pain also implies equal value of the labor and of its product, when that labor is useful and of standard efficiency, that is as yet perceived by only a few.

This, however, is of the utmost importance, is fundamental to my entire economic reasoning and to the value theory here presented; and is absolutely essential, I claim, to the world's orderly progress, as well as to world peace, and to human welfare.

Realizing how difficult it will prove for the average man to grasp and to understand the reasonableness of all this, I have devoted the larger part of my book to endeavors at making this plain, and to convince men of the feasibility as well as of the equitableness of this equal compensation idea. I have contended that this idea and the value theory based thereon hold true, whether we assume private or public ownership of land and natural resources, privately owned or collective capital, a commodity money or a token money (labor hour checks). I have also contended that the world is even now, under the prevailing economic system, slowly gravitating toward approximate equality of compensation for industrial labor; though that movement may be so slow and so unconsciously followed as to go on practically unnoticed. I have further contended that the ever recurring disputes and strikes about wages cannot be tolerated forever; that a way of settlement must be found which settles these disputes once and for all; and that the only settlement of these disturbances, and of this industrial war, is the establishment of equal

compensation for all useful work of standard efficiency.

All this does not necessarily imply a socialized state; it applies in great measure to present competitive society with its private enterprise and initiative; and it applies still more largely to any transition stage toward a socialized state, which unquestionably the future will bring; while a socialized state without this equal compensation would be the merest travesty. This equal compensation for useful labor of standard efficiency is the very essence of that equality and fraternity of which reformers have been dreaming, and toward which humanity has painfully and blindly been groping throughout the ages. It is also more readily comprehended in connection with a socialized state, and by people whose sentiments incline in that direction, than by those whose thoughts are too firmly anchored to the old institutions.

As an illustration of this I may cite the objection made by a neighbor who had difficulty in accepting the equal compensation idea, and who could not see how such a scheme could possibly be applied in practice. Suppose, said he, I am a farmer and I need the labor help of eight men; and suppose two of these are capable, efficient workers, on whose labor I profit, four are indifferently good, I neither gain nor lose on them, but the remaining two are no good at all, on them I lose; how could I in justice pay all the same wages?

Well, said I, your supposed case is not in point, for it disregards the distinctly specified condition which I have emphasized time and again,



that the labor is to be of standard efficiency. The two "no good" fellows would be kept in the apprentice class until they come up to standard efficiency, not till then would they be entitled to standard pay. There would be this difference however in the cases of such as between then and now, that now they are set adrift to shift for themselves; to grope and blunder through life, sinking lower and lower until they become down and outs; whereas, under a sane and humane regime they would be assisted with instruction, advice, and guidance, and perhaps transferred to other work, to the kind of work in which they had the best chance of becoming proficient and of reaching standard efficiency. Thus they would be encouraged; the helping hand of society would be extended to assist them to find their feet, instead of abandoning them to their fate and to the unfortunate consequences of their unpropitious heredity, which, as pointed out before, is their misfortune, not their willful choice. Furthermore, the case is not supposable in a rationally organized human society, in a socialized state, such as we surely shall have ere long, where you, good neighbor, cannot be supposed to have monopolized eight times as much land as yourself can cultivate, and to have eight of your fellow-mortals come to your door begging for work, they having been kept out of their share in the soil, the common inheritance of the race.

It will readily be seen that taken in conjunction with a socialized state, or merely with a consciousness that such a state is even now in process of development, the equal compensation

idea becomes much easier of comprehension and of acceptance. The fundamental principle of my value theory, as repeatedly given, is concretely stated in this proposition or demand: Equal compensation, hour for hour, for all kinds of useful work of standard efficiency, male or female. But the mere statement of such a demand would by no means carry conviction to the mind of the reader. It would be brushed aside at first sight and dismissed as absurd, because it is so unusual and so contrary to general notions. And it must therefore be repeated and restated time and again, and be supported by all the resource of argument its advocate can command. It was therefore necessary to devote a large part of my book to the effort of convincing the reader that this demand and this idea of equal compensation for all kinds of work of standard efficiency is right and reasonable, fair and desirable, necessary and inevitable. For, as repeatedly stated, upon the acceptance of this principle of equal compensation rests my value theory; and if such acceptance does not ensue then my value theory stands rejected and my book becomes a failure. In such case I can only hope that there may come another, who possesses the necessary power of exposition and persuasion, of lucid and convincing presentation, who will succeed where I have failed.

I shall now try to meet various objections, and offer tentative solutions of some of the many practical difficulties that naturally will suggest themselves to the thoughtful reader. I am aware of the fact that these difficulties are many and

perplexing, and that some of them are so stupendous as to seem unsolvable. But it is not my task to go into details of arrangement and adjustment; these will necessarily have to be determined as they present themselves in the course of societary development along the lines of the new economic principles and theories here presented. My task is primarily to present those economic principles, particularly a value theory, upon which the new era economics is to be based, and in accordance with which the future society must be organized.

Let me also remind the reader that the value theory here presented is distinctly restricted to economic values, to the values of economic products and services; but is not concerned with the determination of moral, artistic, or esthetic values. Professional work, which does not more or less directly enter into economic services or products of exchange, is, strictly speaking, not comprised in the proposed system of evaluation, though much of the same will by analogy and association be affected and influenced by value notions regarding industrial labor. My value theory is concerned with and applies to strictly economic labor and labor products, those things that make up the material essentials of life, summed up as food, clothing, and shelter, and the necessary transportation incidental thereto. Besides the primary effect of this value theory, of putting the fairest and most equitable valuation on products and on labor that limited human wisdom can devise, it has the simultaneous secondary effect of automatically bringing about a just distribu-

tion of the nation's annual wealth product, and of so distributing the nation's domestic purchasing power as to synchronize consumption with production to any desired degree of closeness. That is to say, consumption will keep step with production, as closely as may be deemed advisable. Gluts of the commodity market, and consequent stagnation of production with resulting unemployment and distress, such as periodically afflict present society, will be effectually prevented.

This secondary effect is of course of the utmost importance. In fact, it is the prime object of the entire proposal, since it is that which shall abolish poverty and slums, put an end to precariousness of employment and enforced idleness, and yield to all honest and useful labor its true and legitimate reward. With these things this value theory is concerned, and for such ends has it been reasoned out and formulated. This object is of paramount importance to the human race and should outweigh all difficulties, however great, that have to be met in accomplishing the same. It is then a proposition in the interest of democracy, of the common man, the ordinary useful worker and citizen. It is not put forth in behalf of the uncommon man, he who is, or fancies himself to be, a genius, an artist, poet, or philosopher. However desirable and worthy of appreciation the work of such men may be, it stands outside the realm of economics proper, and it cannot be evaluated on the labor hour principle. These people form a province of their own, they and their work must be judged by standards apart from economics. They have

nothing to do with the daily wants of all men for food, clothing, and shelter, the essential necessities of life. They belong in the realm of ornaments, luxuries, fancies, whims, recreations, and mere pleasures; and the value of their work is, generally speaking, not measurable in terms of material things. He who ploughs and reaps, hews wood or digs coal, builds houses, streets, sewers, canals, or roads, sweeps streets, washes clothes, or makes any useful thing, he creates real value; of this there can be no doubt, and his claim for compensation is not to be questioned. But he who paints a picture, writes a poem or a book, as this one of mine for instance, he produces work which may be of surpassing worth, or it may be rubbish. Who shall decide that? Economics cannot determine that, and assign him a compensation; his labor and his product lie outside the proper province of economics. Let his be a labor of love, largely performed during leisure hours, and let him be content if he reaps a pecuniary reward, and also be content if reward is denied. Much of the best work in art and literature, as well as in reform and philanthropy has always been done on those very terms and is so done in our day. The reward for non-industrial work was considered at some length in chapter II, and the reader is referred to those pages.

But I am to meet some of the objections that naturally are to be expected, and I shall consider first the most weighty and important of these, namely, the objection that such a scheme of compensation would remove the incentive of per-

sonal gain. This incentive, many insist, is indispensable for spurring men to steady and efficient work, indispensable for invention and progress. I believe it was Emerson who put this in a homely phrase by saying that men are as lazy as they dare be. It were idle to deny the force and the seriousness of this objection, and I make no attempt to do so. I recognize its weight and shall try to meet it as fully as I know how, pointing out, in the first place, that the spur of such an incentive, though softened, is not wholly removed in the contemplated new industrial order of things, where employment is to be had for the asking and compensation equal for work of standard efficiency. In the fact that standard efficiency is required in order to secure standard compensation there may be incentive to exertion sufficient for all practical purposes; and remember, that standard efficiency is not merely to be reached by the young worker, but it is to be maintained, as described in chapter III. This, together with man's natural pride, each one desiring to stand as a man among men, entitled to the respect of his fellows, not despised as a shirk and a slacker, the more so when all are conscious of the fact that the shirking of one immediately and directly puts an extra burden on the others; this, I think, may safely be relied on to make practically each one wish to do his full duty, and to overcome the innate tendency to indolence and ease of which we all have a share, some more, some less.

Moreover, I would ask these objectors and sticklers for the incentive of personal interest,

how effective does that incentive prove today, under the present economic regime? Are there no shirkers and delinquents today? There are indeed; and they constitute one of the most perplexing problems of present society. Criminals, those that prefer piracy and predation to honest toil; also the demoralized; the discouraged and discomfited in life's struggle; the wrecks; the down and outs; these constitute a large class in present society whom this highly praised incentive has been unable to save. I do by no means claim that the problem presented by these people would be automatically solved by the reconstitution of society along the proposed lines; or that crime, vice, licentiousness, and indolence would at once disappear. But I do firmly believe that the difficulty of dealing with these problems would be very materially reduced. There will no longer be the excuse of not being able to find work, which today in many cases is but a welcome pretense. The stress of starvation wages would no longer excuse slum dwelling, nor excuse denial by parents of proper schooling to children and the putting of them into factories or on the streets to earn a few dimes. Whatever disadvantage may follow from reducing this incentive to exertion, the advantage of the new economics and the new social order based upon this value theory seems to me so great, that no difficulty of detail ought to daunt men in establishing the new order. However, as previously stated, my task is to present this value theory, and particularly to submit the same to the consideration of economists; while the working out of details of application

had better be left to those who come later, after the value theory has been passed upon, and has met at least some measure of acceptance.

But this objection of loss of incentive may seem to lie in a particular sense against the equal compensation idea. It may be claimed that if all work is paid alike no one will trouble about learning a trade requiring skill and training, not to speak of undertaking the tedious and wearisome task of preparing for a profession, when no reward of higher compensation is in prospect. This consideration does indeed seem weighty, but it will on closer examination be found much less weighty than appears at first thought. It has already been stated that part of the professions may find fields of activity outside of public employment, and therefore stand outside the rating of the equal compensation scheme, while artists, writers, philosophers, and preachers stand distinctly outside this scheme. Irrespective of this, it is well known that individuals who strongly feel called to write, preach, sing, or paint, much prefer to follow such inclination, regardless of pecuniary rewards or denials; and it is not to be doubted what their choice of occupation would be, though the money reward for plying their art were no greater than for ordinary labor. I believe it was Proudhon who long ago said something to this effect that if the prima donna were given the choice between scrubbing floors or singing at the same compensation, there could be no doubt that she would choose to sing.

This reasoning applies to all such professional work as would come under the equal compensa-



tion scheme, such as the greater part of teaching, industrial art, structural and mechanical designing, accounting, and the public health service of medicine, dentistry, and pharmacy. And the same reasoning applies to skilled labor as against common labor occupations. Most boys early show a liking for certain kinds of activity, and by far the greater number delight in handling tools. Some want to be sailors, some railroaders, some incline to various trades; want to be smiths, carpenters, masons; while others naturally take to salesmanship and office work. And still others show a liking for plants and animals and will prefer gardening or farming as an occupation. Nearly all will have a second and third preference, and if they cannot be given their first choice will take second or third choice and be pleased at that. Also let it be remembered that apprenticeships will be of short duration; with the preliminary advantage of vocational school training, and work organized in the interest of the community, apprentices will be properly taught, not left to pick up a knowledge of their craft bit by bit as opportunity offers. Therefore two years will be ample time to give any young person of average intelligence a sufficient knowledge of a trade to pass him or her to the class of junior workers.

With such facility for acquiring a trade at comparatively little effort and self-denial, the problem will not be: is anyone going to learn a trade and become a skilled mechanic, but rather, will there be enough left who do *not* learn a trade and who are willing to remain at rough common

labor, though the pay be the same for both kinds. The insufficient number of common laborers, rather than their excess, may present a difficulty, and may even necessitate paying a premium for that sort of labor in order to induce a sufficient number to engage in that kind of work. Men naturally take a pride in being able to perform the more difficult kinds of work, and would prefer the finer and more genteel occupations, even though the compensation be no higher than for the rougher, coarser, dirtier, and more disagreeable work. This also applies to the professions and semi-professions. There need be no misgiving, lest there should not be a sufficient number of candidates for the professional and semi-professional work, and for the skilled trades, under a regime of equal compensation in these lines and for common labor.

Next in order of importance I would put an objection which holds, not particularly against the equal compensation idea, but in general against nationalized organization and control of production and distribution. Call this what you please, state socialism, collectivism, or merely extension of government function, making government employes of the greater number of industrial and transport workers. As has been pointed out before, state socialism is not necessarily implied by the equal compensation idea; yet there is a close kinship between the two; and as stated on a previous page, I consider a socialized state unthinkable without equal compensation for useful labor of standard efficiency. Without that, socialism is a travesty and a mockery. But I

may just as well now face this objection to national control of production by admitting the force of the objection and making answer. Let us grant, for the sake of argument, that collective industry would necessitate a vast number of supervisors, inspectors, accountants, auditors, stock-keepers, time-keepers, and clerks; all of whom, in a sense, would be non-producers, and their pay would have to be taken out of the wealth created by the actual producers. Precisely the same overhead expense is imposed on privately conducted business today, with some additional items, which would largely be eliminated by collectivism. As such there is the purchasing agent found in all larger establishments, whose function is to negotiate or dicker for favorable prices on raw materials and subsidiary supplies; practically all advertising expenses, costly illustrated catalogues, traveling salesmen, and the major part of correspondence and mail expense would be eliminated. Raw materials would all have a fixed price, and would be drawn from the nearest point of supply; and the products would be shipped to the nearest market of consumption, avoiding the criss-cross shipments in opposite directions of like goods which now often occur, thus economizing on transportation.

The man who single-handed conducts a peanut or candy stand, a cobbler shop, or runs a dray or an omnibus, such a man, in one sense, works under ideal conditions. He has no overhead expense; he needs no foreman, overseer or inspector to see that the work is done promptly and properly. He needs neither timekeeper nor

bookkeeper or cash register to see that none of his cash strays into wrong pockets. This, as I said, in one sense is ideal. But such extreme individualism does not answer the requirement of an advanced civilization. Only the pettiest and most ineffective work can be done in such a way. The work and business of civilized life and its large undertakings require the acting together of numbers of men in united and properly organized efforts. One smith can single-handed beat out a horseshoe, or hammer out nails, though in no quantity to compare with the forge mill and the nail machine. Yet he could do it, and it has been done in the past. But large engine shafts, or other forgings weighing tons, it is utterly impossible to handle in a one-man smithy. This requires large furnaces, steam hammers and cranes, and the united efforts of a number of men. And here comes in the overhead expense: superintendence, inspection, designing, accounting, time-peeking, etc. This is the inevitable accompaniment of every great enterprise or voluminous work, whether it be building, manufacturing, transportation, or distribution. This overhead expense attaches to all such work, whether it be carried on collectively or privately. It is even claimed that there will be less of this under socialized control than under private; which may be true, since the necessity thereof will decrease in some directions while increasing in other directions. It is not of record that the administrative expenses of the railroads were increased when the United States Government took control of the roads in 1918. But Mr. McAdoo shortly dis-

pensed with the services of a great many attorneys, and also with those of freight solicitors; reduced the advertising expenses, and the number of city ticket offices.

However daunting may seem the immensity of the task of organizing and coordinating practically the whole production and distribution for a nation of a hundred million people, or even of the several states separately, the task will have to be undertaken some day; and if the nations involved in the present war, under the stress of that great struggle, found it necessary to assume control of their productive and distributive business, as a means of self-preservation, perhaps they can fully as well find it both possible and necessary to do so as a means of self-preservation in times of external peace.

It may be proper at this point to set at rest any doubt that some reader might have, as to the ability of the state or the community to find employment for all comers; such reader basing his doubt upon the predicament of the private employer of today, who can give out no work if the same is not first given to him, and who stands utterly helpless in times of panic or business stagnation. Against such a predicament the state, or society, is immune when the nation's labor is controlled and organized for production. Then there can be no stagnation of that sort, and no misery-breeding unemployment; not as long as the sun shines, the rains descend, grass grows, and the earth yields crops and other material resources. All that man requires in life may be roughly classed under six heads: food, clothing,

shelter, transportation, education, and recreation. The last two are not strictly economic items. Civilized man may be expected to provide for education by setting aside sufficient means to pay the expenses thereof, and he will indulge joy-riding and recreation as he finds the means, or cut out these things as the means thereof fall short. But food, clothing, and shelter, which includes transportation, are the indispensables that economics is primarily concerned with; and considering these three only, for the sake of simplicity, we can emphatically assert that these three will always occasion ample employment for all comers; and that whenever the supply of these things is so abundant that no one needs be hungry or naked, or without shelter, then by that very fact the misery of material want is blotted out, providing, of course, that these things are properly distributed, a distribution which this new era economics will automatically effect.

The whole world needs food, clothing, and shelter; well then, let all the world fall to and produce food, clothing, and shelter; and all the world will have these things; also, all the world will have employment. It is the business and duty of society, through its executive agents, the various branches of government, to organize and control the work of producing food, clothing, and shelter; to fit each man and woman for some part of this work; and to assign a place therein for each one who is able and willing to work. No individual, no "interests," and no "vested rights," can any longer be permitted to stand as a bar between man's need of food, clothing, and

shelter, and his employment at producing these things. Should these things become too abundant under an eight-hour workday, then let the time be reduced so as to provide only for a reasonable excess over the annual need, that any unexpected shortage due to unfavorable seasons or partial crop failure may be met.

The world has for centuries been able to divert great numbers of men to other pursuits, educational, and for recreation or amusement, not to speak of the wastes of wars and armaments. And the world does so divert today, and will in the new era be able to spare from the work of producing food, clothing, and shelter vast numbers to engage in educational pursuits, moral, scientific, and esthetic, in art and recreational work; with this difference however, as previously mentioned, that anyone engaged in such lines of work, who finds that he has missed his calling, will not be doomed to starve in a garret; but will always find an open door at the public employment bureaus, and be assigned some suitable work at which to earn an honest and decent living. Since such people, whatever betide them, will still need food, clothing, and shelter, society cannot deny them a chance in some way to help at producing food, clothing, and shelter, their very need of these things, like the need for same of all other people, being a source of employment. There is no room for doubt that the socialized state can give employment to all comers, till the end of time.

## CHAPTER X.

### NEW ERA SOCIETY. FURTHER APPLICATION OF VALUE THEORY.

In Part II, it was assumed that in the sane and rational society of the future, the nation's labor would be organized for effective production, not for defensive economic warfare as in the present competitive and antagonistic society, where each hand aims to grasp as much as possible, and where, as the slang expression has it, the devil takes the hindmost; that is to say, the devil takes him who, either by his own fault or the fault of others, loses out in the game of grab.

The conscious aim and avowed purpose of new era society will be to develop useful and efficient workers conjointly with good citizens, intelligent and upright men and women, each one having opportunity of becoming a lady or gentleman in the truer and deeper American meaning of those words. It will be understood that in order to lay claim to the appellation lady or gentleman, and indeed to the title of good citizen, he or she must above all things be a useful member of society, a worker of some sort, in some field of real usefulness; no parasite can in anywise claim good citizenship. The educational systems, therefore, will be constituted to serve these ends, moulding the rising generations to usefulness as workers, as well as to good citizenship. The schools will be coordinated with, and be contributory to, the nation's organized production,



by vocational, manual, and technical training according to required needs. This coordination is indeed already in process of development, as any intelligent observer can see. The nationalized factories will continue the educative process of the schools by intimate cooperation with these, and by some sort of apprentice system which trains the young worker in a comparatively short time. The school training, and partly the training in apprenticeship, will be at the expense of society, and this will offset claims to extra compensation that might be made on behalf of skilled workers as against the so-called unskilled worker. The same considerations apply to professionals and semi-professionals in the public service, such as doctors, teachers, draftsmen and designers, whose education and training will be acquired mostly at the expense of society.

It was suggested in chapter III. that the term of apprenticeship should not exceed two years, and a suitable apprenticeship wage should be paid, with increase every six months; then the young worker, passing through his junior period, becomes a full senior or journeyman worker with full standard pay, his work having reached standard efficiency. As explained, this labor hour of standard efficiency determines the value and the selling price of the various products. But now it will happen that a considerable labor product will enter the exchange market which is in part or wholly the product of apprentices, whose labor is not of standard efficiency, and who do not receive standard pay, and whose efficiency will vary even during their six months periods of fixed

compensation. And in consequence of this, some of these products may pass to the consumer above cost and some below cost. Now this fact may be seized upon by some stickler to condemn the whole theory as false and "unscientific," not realizing that in doing so he merely shows his own ignorance and bigotry. In the first place, economics is not an exact science, like mathematics and physics, where matters can be proved by calculation, or demonstrated by laboratory experiments. No such demonstrations are available to economics; here the experiments involve states or communities and may require decades of time. Most of its conclusions are reasoned out from incomplete data, reasoned to seeming self-evidency, but not easily susceptible of verification. Economics is called a science by courtesy, but has no claim to exactness; and the present writer has distinctly stated that he claims for his value theory no mathematical exactitude, but thinks it the nearest approach to exact industrial justice that human thought can devise, and the best means of securing industrial peace and general human welfare. Whatever inequality and injustice remains after this approach has been achieved, must be accepted on the principle of bear ye one another's burden, which, as pointed out before, is also quite largely required under present conditions.

And on this principle of bearing one another's burden, the seeming failure of exact adjustment of rewards in the case of apprentices, and in the case of all other workers as well, must be accepted as part of the imperfection inhering in all human

affairs. Furthermore, if the apprentice at first fails to render a full equivalent for the wages assigned him, let us consider that as part of the expense society assumes to educate him; and if later the value of his output exceeds his wage, let that help to even out matters between him and society. Fixing a sale price for the products of apprentice labor may either be left to the arbitrary decision of competent judges, or be ascertained by having similar things produced by standard labor to determine their value and price. Considering that the period of apprenticeship will be short, while the average duration of a healthy person's active life as a full grade worker is thirty-five or forty years, this matter of apprentice compensation if after all not of any great importance.

As a mode of providing the necessary revenue for defraying, in the main, the expenses of administration, education, public health and safety, hospitals, asylums, pensions, etc., I have suggested including in the selling price of every article produced in the national factories a certain per cent. above the actual cost of production. This constitutes a form of taxation which would largely take the place of property taxation, where there will be little or no privately owned productive property to tax; and this would reach every member of the community in his character as a consumer. It will be necessary though to supplement this scheme of taxation by additional forms, designed to reach such production or business as may still be carried on outside the nationalized industries, so as not to give to pri-

vate work an unfair advantage over the nationalized, through evasion of taxation. I believe it will be both necessary and expedient to leave a considerable field open for private activity, for work outside the nationalized industry and business; especially so during the transition period. For there will probably be a great number of natural malcontents who could not rest satisfied unless they had a chance to paddle their own canoe, or at least to have a try thereat. It may therefore be expedient, and indeed necessary, to provide a vent of escape for the spirit of discontent and fault-finding of people for whom it is difficult to submit to the strict discipline, prompt hours, regulation and supervision, which will be found inseparable from socialized production. Let such people open a cobblers shop, a news or candy stand, barbershop, run a dray or wayside store; subject of course to all restrictions of sanitation and child protection rules, as well as to such detail of taxation as may be deemed necessary to prevent a number of men from combining in private enterprises with an unfair advantage over fully taxed public enterprises. Incidentally, such private enterprises may serve the useful purpose of setting a pace or mark of efficiency, below which socialized industry must not fall.

Various license and administration fees, fines, and perhaps a poll tax, dog tax, and other luxury taxes may be continued to supplement the main source of revenue. And I am convinced that import duties will be continued. Every country will have to guard against being made the dumping ground of products produced by foreign

underpaid labor. The universal policy of all leading nations will be to make their own country as near as possible industrially independent, produce at home all that they possibly can, and import only what necessity compels, and thus provide in the largest possible measure employment for their own people. It will be the conscious aim to reduce imports and exports to a minimum, the reverse of the present maddening frenzy for foreign trade.

Closely connected with this matter of raising revenue to pay the salaries and other expenses of various administration activities and of so-called unproductive, or indirectly productive work, is the question of replacing old and worn-out machinery of production and transportation, and the necessary current stock of raw materials and partly finished commodities; or, in the language of economists, the replacing of consumed capital, and providing additional capital as the need for the same arises. I have hinted that such capital could be accumulated by making the percentage of cost added to the selling price of manufactured goods sufficient to provide for this item also along with the administration expenses referred to above. In this way every individual will then pay a slight excess on any article he buys, and thus "abstain," "save," and "create" tiny droplike amounts of capital, which by their great number will make up the mighty volume needed in the nation's work. And in this manner every member of society becomes a contributor to the national capital, a fellow capitalist with all other members of the community. Capital, according

to accepted economists, is wealth withheld from immediate consumption and used for productive purposes, hence is said to be the result of abstinence or saving. I find no fault with this definition, and I accept it as holding true whatever the form of social organization may be, individualistic or socialistic. In a socialistic state abstention will be as necessary in order to provide machinery of production and transportation as under any other form of society. A certain amount of labor must be set aside and devoted to producing this machinery, this "capital," which cannot be eaten as food or worn as clothes. That means abstention, that is saving, and that will have to be practiced in any kind of civilized society.

Some writers have thoughtlessly asserted that capital does not result from abstention, because, as they claim, the abstainer as a rule is not in possession of the capital. That claim may be true, or largely true, but it is not in point, for it does not alter the fact that somebody must abstain in order that products may accumulate, no matter in whose hands the accumulation may finally lodge. If the possessing capitalist under the present regime does not really practice self-denial, does not himself abstain, yet it may be he who compels others to abstain and thus brings about the accumulation of capital. And perhaps this prodigally inclined humanity would not have abstained otherwise than under such compulsion. If this is true, then the private capitalist has in this wise fulfilled a certain sociological and necessary function, the necessity for

which will vanish when collective abstention and saving in a socialized state, as indicated above, takes the place of the private saving and abstention which is necessary today. Possibly even then some scope may still be left for private saving and private capital, especially in the transition period.

The application of this theory of value and the equal compensation scheme to industrial work and to the great transportation enterprises, seems to the author a comparatively simple matter, as also does the taxation scheme here outlined to replace the property tax of the present. But the application of both the value theory and its price determining function, as well as the indicated taxing scheme, to agriculture and agricultural products, presents peculiar problems of far greater difficulty; because of the much greater diffusion of private ownership, and the consequent unshakeable and unquestioning belief in the correctness, justness, and inviolability of private ownership and individual control of the soil and its products. Only where farmland is concentrated in large estates, owned by a numerically small class, while the tilling is done by tenant farmers and landless laborers, is there any likelihood that the socializing or nationalizing of agricultural land will ever be an accomplished fact. But not so where the land is held in small parcels by a large class of individual owners, whose number runs into millions. The Russian peasant was quite ready to dispossess the big landowners during the Bolshevick regime, but it is not of record that they meant to socialize or nationalize the

land; each was eager to make a parcel his own private possession, and the large landowners, being comparatively few in number, were powerless to resist the swarming peasants. But no Bolshewick decree would be able to terminate the private possession of a land-owning peasantry if the same outnumbered the Bolshewick army three to one. In what manner agricultural land is to be nationalized, if ever, in countries like France and the United States, with their great number of small land-owning farmers, and each one a voter, I have no idea, unless it be by a gradual process of voluntary association and combining, perhaps within counties or townships. Or if perhaps a rapid process of concentration of land property and elimination of small owners under the competitive stress of the present regime should take place, and produce a small number of large owners, and a large number of tenant farmers and hired farm laborers. Such a condition might eventually lead to expropriation and perhaps to nationalization of the soil. But such a devolution is hardly to be expected, and would be most deplorable.

Many of the ancient nations were city republics, or city states, and these dominated and controlled the land and had the same tilled, mostly by slaves. In the Middle Ages the land was likewise tilled by serfs, possessing neither the land nor enjoying any political rights. But in modern times the tiller of the soil has in all advanced countries become the most important and powerful economic and political factor. It is he to whom all others must look for sustenance, and



he cannot be dealt with by force, but only by bargaining. And while he may not, and in fact does not, in advanced countries outnumber the other elements of population, yet he will always be numerous enough to command respect; and he holds the whiphand over the rest, because it is he who holds the bread basket of the race. If out of this situation there should in course of time be engendered a serious antagonism between city and country, that were a most lamentable result; and it is my hope that this gospel of equal compensation for all kinds of useful labor, including the farmer's labor, will head off such a calamity.

However, as admitted above, the application of these principles to farm products and to farm labor presents special difficulties, the more so as there will be little or no sentiment in favor of nationalizing the land, and thus cause it and the labor of tilling the soil and marketing the crops to be publicly organized and controlled. The demand for nationalizing the land comes from city people, from radical labor and reform organizations, not from farmers or farm land owners. I doubt very much that the mere mental realization that this earth and the life-sustaining soil is the common inheritance of the race, that theoretically no individual man can of right claim to own the earth or a part thereof, will ever create a sentiment in the minds of the present holders, strong enough to induce them to relinquish their private ownership and voluntarily yield possession of their lands for the purpose of nationalizing the same. It is possible that cities in their corporate

capacity may acquire large tracts of farm land, and there inaugurate systematically organized farming operations, under the same work and wage conditions that obtain in factories, and thereby establish rates of compensation for farm work, as well as cost and price of products in accordance with this value theory. And this, if successful, would set a pace and a pattern for individual and private farmers to follow, both in pay for help and in price for products.

Another special difficulty in connection with agricultural operations, which will have to be met, is the variableness in crop yield according to favorable or unfavorable years or even seasons; to weather conditions, sometimes affecting comparatively limited areas. Also the unexpected appearance of insect pests, or plant and animal diseases tend to complicate the problem, since these vicissitudes may affect certain areas and not affect others in the same jurisdiction or administrative zone. This would present a problem of averaging the labor hour output and the price to the final consumer, which ought to be uniform over a reasonably large territory, and preferably so, over an entire province or state. It would also be necessary to continue the realty tax on privately cultivated land, to offset the production tax on publicly cultivated land or its products.

But all this is minor detail, and I remind the reader once more that my task is to present a value theory, not a fully detailed scheme of re-constituted society. I am presenting a theory of value, and I especially present this theory to the

consideration and examination of economists, and to people who previously have given some thought and study to economics. Let such people pass judgment on this theory of value, and, if they should find it true, then perhaps someone will build upon that theory a complete system of economics, and others may perhaps essay to solve the implied difficulties, some of which I thought it advisable to mention as the chief ones, and for these I suggested tentative solutions.

While it is for economists to judge this value theory, it is for men in general to show whether they are ready to accord equal value to all kinds of useful work of standard efficiency, and, of course, equal compensation for the same. This to my thinking is the only way to end the exploitation of man by man; of establishing social justice and industrial peace; of abolishing poverty and slums; of ending uncertainty of employment and periodical stagnation of work, with its idleness and distress; of removing from the minds of men the fear that some day poverty and want may overtake them, a fear that causes them greedily to grasp for all they can reach, to accumulate and to hoard as a protection against such a contingency.

Men and brothers, are you ready for these things; are you capable of that high rectitude of spirit which refuses to over-reach and take advantage of another; which claims for itself no more than it is willing to grant to others; which is ready to pay with an hour's labor of its own for every hour's service rendered by another, or for every hour's labor product of another?

Or can you not rise to that measure of noble clear-seeing unselfishness? Do you insist that the "maddened crowd's ignoble strife" shall go on, "the good old way, the simple plan, that he shall take who has the power, and he shall keep who can"; that every man's hand shall still be raised against his fellow; that no one shall ask himself to how much or to how little am I entitled, but each shall aim for all he can grab and grasp of the nation's annual product; that graft and exploitation shall continue; that the severest, hardest, and most necessary labor shall continue to receive the meanest pay, and he who performs it be rewarded with contempt, while those performing lighter work are better rewarded, and some, whose work is of mere make-believe value, may be highly rewarded and greatly honored, because of the world's ridiculous and false value estimates? Do you want all this to continue: the strikes, lockouts, unemployment, the turmoil, and blind grasping, with its periodically inevitable culmination in war between nations? Men and brothers, the choice rests with you.

I am presenting a value theory which is to cure the evils and effect the good things here enumerated. But this does not imply a sudden upheaval, and a violent overturning of the present social structure. It does not imply the immediate nationalization of the country's natural resources, and of the machinery of production and distribution. This theory is applicable to present-day society, as well as to a socialized state and to a transition stage of gradual transformation from an individualistic society to a fully socialized

state; while for the latter it is an indispensable feature. Applicable alike under privately owned land and capital and under publicly controlled land and capital, it is the very thing to promote a gradual and peaceful transition.

Still another question may puzzle some reader, and he may want to know how this value theory explains the value of a patent right, or the great value of corner lots on the principal streets of large cities. Well, these values are not explained or accounted for by this theory. These "values" are not labor products, and do not properly belong in the realm of economics, as explained in Part II, where this matter has been touched upon, and in the summary of the value theory. In so far as we conventionally call them values, and by the custom of centuries think of them as such, these "values" are created by legislative enactment, but not produced by labor.

— A patent right is a privilege of monopoly granted by legislative authority to inventors, giving them the exclusive right for a term of years to make and sell the invented article. This is as much a grant in reward for presumed or performed services rendered, as is the grant of a pension. The legislative wisdom of the founders of this government so provided in the constitution of the United States, and such appears to be the practice in all advanced countries; and it was no doubt at the time an eminently proper provision, and the same will probably be continued, in some form, in socialized society.

As for the great "value" of building sites in high grade business or residence districts, that

also is a matter which does not come within the province of new era economics. And the new value theory is not called upon to explain or to justify the same, any more than the economics of Adam Smith and J. S. Mill were called upon to explain and justify the value of slaves to the slaveholders, although chattel slavery actually existed at the time these men wrote their books on political economy. Human slavery is usurpation and robbery by force or fraud of one man's freedom and personal service by another, for the benefit and advantage of this other; and private property in land is by many writers similarly characterized as based on force and fraud, on the disinheritance and despoliation of some men by other men. My theory is not concerned with "value" founded on any such basis. There is an extensive literature on this question, and a school of writers on sociology and economics who hold the above view and who deal with the unearned increment of land values. Of these Henry George and the Single Taxers are examples.

Even such a conservative economist as J. S. Mill makes statements like these: "Enough is known of rude ages to show that tribunals were established to repress violence and terminate quarrels, not to define rights; and they gave legal effect to first occupancy, treating as an aggressor him who tried by violence to turn another out of possession. Let us suppose an initial community, unhampered by previous arrangements, occupying for the first time an uninhabited country. If private property (in land) were adopted we presume that it would be accompanied by

none of the inequalities which obstruct the beneficial operation of the principle of private property in old society." (Book II, chapter I, p. 259.)

"The 'sacredness' of property does not unqualifiedly apply to landed property. No man made the land. Its appropriation is wholly a question of general expediency. When private property in land is not expedient, it is unjust. To be allowed the exclusive right over a portion of the common inheritance of mankind, while there are others who have no portion, is a privilege. In the very nature of the case, whoever owns land keeps others out of the enjoyment of it." (Book II, chapter II, pp. 295 and 297.)

I accept the above as sane and sensible views; and so I hold private property in land to be a privilege, granted and upheld by legislative enactment upon the presumption that such private property is expedient, and in the totality of its effect is to the best interest of the race, as insuring a more efficient cultivation of the soil, better crop yields, and a fuller subsistence for the nation than otherwise would be had. Therein lies the expediency; but if it should fail in this, or if the attendant evils connected with private property in land are found to outweigh the advantages, then expediency demands a change, a restriction, or perhaps even the abolition of private property in land. However, as stated repeatedly, I have no intention to discuss the question of private ownership of land; I am advocating a value theory which is not dependent on the abolition of private ownership of land and capital, but which presents its own claims to a hearing, to

consideration and acceptance in present as well as in future human society.

I have so far omitted any reference of Karl Marx and his economics, and I have felt tempted to omit any such reference altogether. But since I expect this book to be read and discussed by many Socialists, some of these might ask: Where does the Marxian economics come in; has this writer never heard of Karl Marx?

To such I make answer that I have read Marx's work, *Capital*, and various interpretations of Marxian economics by secondary writers; but I have not been able to escape the conclusion that whatever credit may be due Marx, and whatever else he otherwise may have accomplished in the interest of human progress, he certainly has not given us a theory of value that is rational and consistent with facts. Marx starts with the assumption that all commodities exchange in the everyday market at their true values; while I start from the exact opposite, that the world's value estimates of both the commodities and the labor that produces them are false and cruelly unjust, and that this constitutes a fundamental cause of all economic evils. If it were true that commodities exchange at their just values, then economic reformers would be without a cause, for there would be nothing economic to reform, and we could sit down, fold our hands, and say: God is in his heaven, all is well with the world.

But I do not propose here to open any controversy, or any discussion of Marxian economics, or of his dissertation on value. Let them die



a natural death as things obsolete and no longer up to date. I ask every reader to judge this book on its own merits or demerits, without reference to Adam Smith, Mill, or Marx, or any other writer.

Socialists have for half a century emphasized a demand in their platform that labor shall receive in compensation the full and true value of its toil. But no one has explained what that full and true value is, or how it may be ascertained. It has tacitly been assumed that the selling price to the consumer constitutes the true value of a product. But I have shown in this book that such a view indicates absolute ignorance of the true nature of value; it is the unreasoned notion of the man in the street. This is generally admitted by economists, some of whom openly confess that the question of value is as yet an unsolved problem in economics.

Now good friends in the Socialist camp, the true value of an hour's or a day's labor is its product, and when exchange of products is necessary, which is nearly always the case, then the value of one hour's labor or product equals the value of one hour's labor or product in some other line of work, the labor in all cases being of standard efficiency, as minutely explained in part II. of this book. This, and this only, can give sense and meaning to your demand that labor be paid the full value of its toil.

Socialists have been too much in the habit of preaching class hatred and indulging in denunciations of individuals and of certain classes, especially the capitalist or employing class, holding

these individuals and classes responsible for all societary evils. These evils are rather the marks of an unfinished process of societary evolution, for which no individual or class of men can in justice and in reason be held responsible. It is time to discard such thoughts, and take a more comprehensive view of humanity's common struggle of evolving to a higher and better civilization; the effort, in Tennyson's words, to

Move upward, working out the beast,  
And let the ape and tiger die.

It is time to realize that this ape and tiger in the human breast is not confined to a certain class of men, employers, capitalists, and landlords, but finds a lair in all breasts; and that it is the business of all men, first and foremost, to let die this ape and tiger in their own breast.

Finally I will answer a question that has been put to me occasionally, and that may occur to many a reader; namely: How is this equal compensation to be established in actual practice, who is to establish it, how is it to be brought about?

This question might be answered by saying that equal compensation will establish itself in course of societary evolution without requiring conscious and specific efforts to that end. And while such an answer perhaps would be the most correct and the most comprehensive that could be given, yet it is expressed in such general terms, and is so indefinite, that in most ears it would sound like an evasion rather than an answer. I will therefore answer more satisfactorily by specifying various ways in which the adoption, or at least approximation toward equal compen-

sation, can be, may be, and probably will be promoted.

The first steps leading to such a consummation are to create a moral sentiment in its favor, by proclaiming and preaching this gospel of brotherliness; proclaiming it as something demanded by an enlightened moral sense and judgment, as something demanded by an awakened social conscience. This book may possibly be the initial note, the beginning of such a call; and it will probably be followed by others, written by other men, variously intoned, but in the main sounding as a keynote equality of compensation for equal work; this meaning work of standard efficiency, no matter what the line of useful work may be. Quite a number of men will probably come forward proclaiming this as the only real equality of rights and of opportunity, the only genuine democracy, co-heirship, and brotherhood of men. For I am surely not the only one who holds such views; in fact I know there are others who think along similar lines; and some of these have perhaps already given expression to their thoughts.

Next I expect every Christian pulpit to take up this glad tidings for the common man, this economic interpretation of the Nazarene's gospel of brotherhood and good will among men; this economic gospel that is to put men "at one" with each other, that is to lift up the weak and help them to their feet, instead of trampling them in the dust; that calls on each one to labor according to his gifts, without insisting on preference or demanding the chief seats at life's banquet

table. It seems to me that every truly Christian pulpit would feel impelled to preach this economic millenium.

Also it is to be hoped that the teachers of economics, if they feel that here is offered a rational and consistent theory of value which will eliminate much controversy from their science, that these then will endorse this value theory, and by such endorsement add the weight of their opinion to the sentiment for equal compensation.

Then all up to date reform and labor organizations, it appears to me, will necessarily have to subscribe to this doctrine, and raise their voices in favor of the equal compensation idea. A refusal to do so would constitute moral suicide on the part of such organizations, as indicating a failure to align themselves with the world's evident course of moral development.

All these forces will combine in a powerful current of conscious sentiment, which will strongly influence private custom as well as public policy and legislative enactment, whenever these are called into action to modify or shape economic institutions and convention. This sentiment will frown upon, and condemn as unjustifiable graft, excessive salaries of the "higher ups," both in public and in private employment, and at the same time demand increase in the compensation of the men furthest down. It will influence, in a measure, private corporations in this matter; but influence more especially all public works boards, and generally all public employment, with the result of a continuous approachment toward equality of compensation.

I have pointed out in Chapter VII. that there is even now a distinct movement towards equalization, though a very slow movement, and an unconscious one; and I have cited a number of instances to support that assertion. But when this movement becomes one that is consciously advocated, demanded, and promoted, it may presently become quite rapid; especially so because of wide extension of government control or interference with many production and distribution enterprises, brought about by the exigencies of the great war, in all countries affected by the same. Even aside from, and previous to the war, interstate commerce and public service commissions have dictated travel, freight, and service rates; hours of labor and minimum wages rates; and now the railroads are wholly taken over, and we have fuel and food directors who control the distribution and price of coal, while Congress fixes the price of wheat and sugar; and we hear threats of taking over altogether the coal mines and the packing houses, which would mean the arbitrary fixing of meat prices and perhaps the price of live stock.

To fix the price of a product virtually means control of the enterprise which puts that product on the market, and is equivalent to nationalizing such industry. All the nations involved in the great war have taken a very long step toward nationalizing their industries, a step which after the war they can retrace only in part if at all. Nationalization has gone on apace, and will continue to go on, and with it the number and variety of government employes will increase to

immense proportions; and the fixing of rates of pay becomes a more and more vexatious problem which calls more and more urgently for some definite principle upon which to base these rates, rather than to copy the rates prevailing in the world of private business, with these continually unsettled by disputes and strikes.

What principle can that be but equality of compensation, the only one that will end the disputes and the strife? And with an ever increasing sentiment in favor of this, and a demand for the same, equality of compensation for all kinds of useful work of standard efficiency, will gradually become an established fact.

Whether men today like it or not, this is manifest social destiny.

I now close my dissertation with the hope that many a reader may in these pages find food for thought.

B

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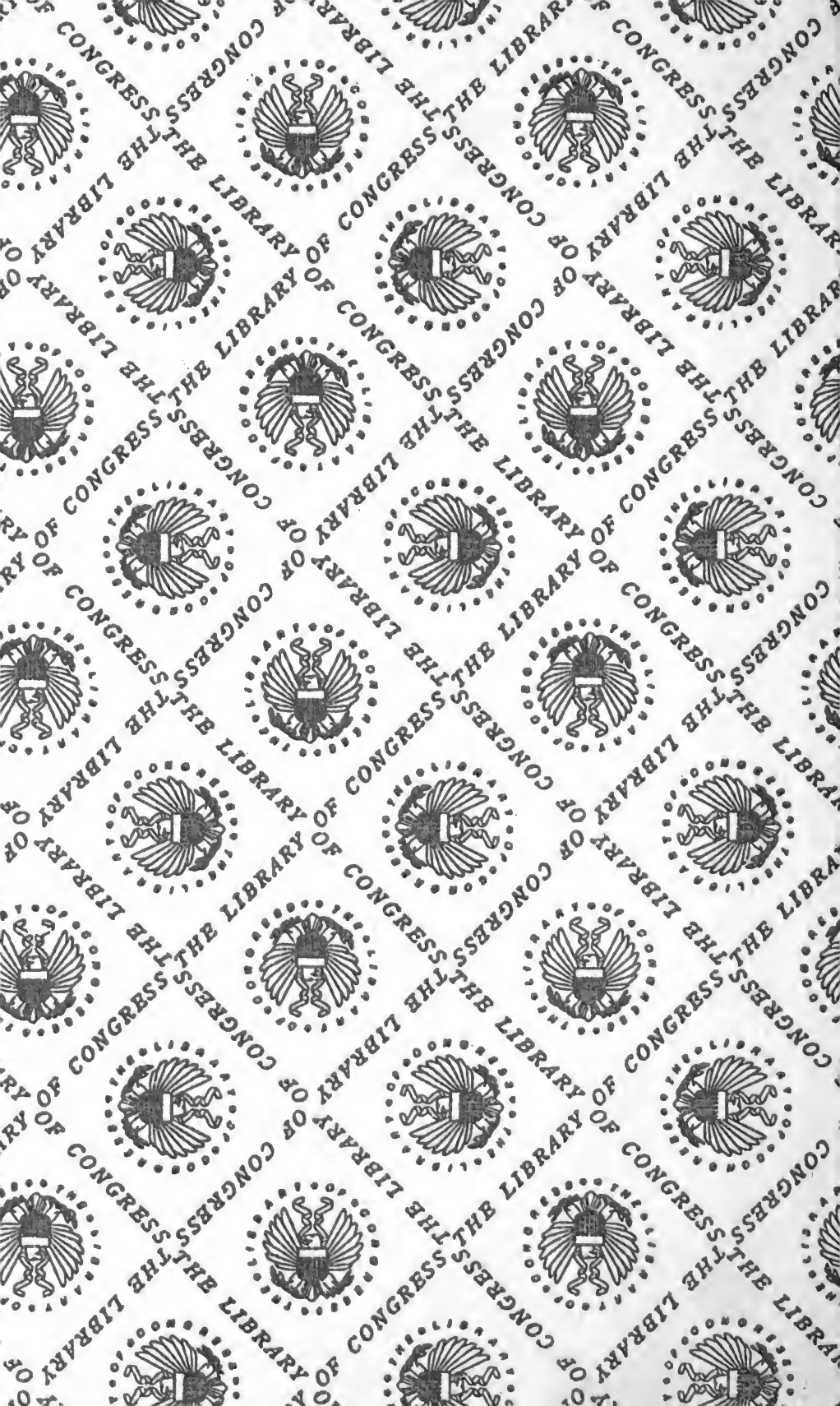
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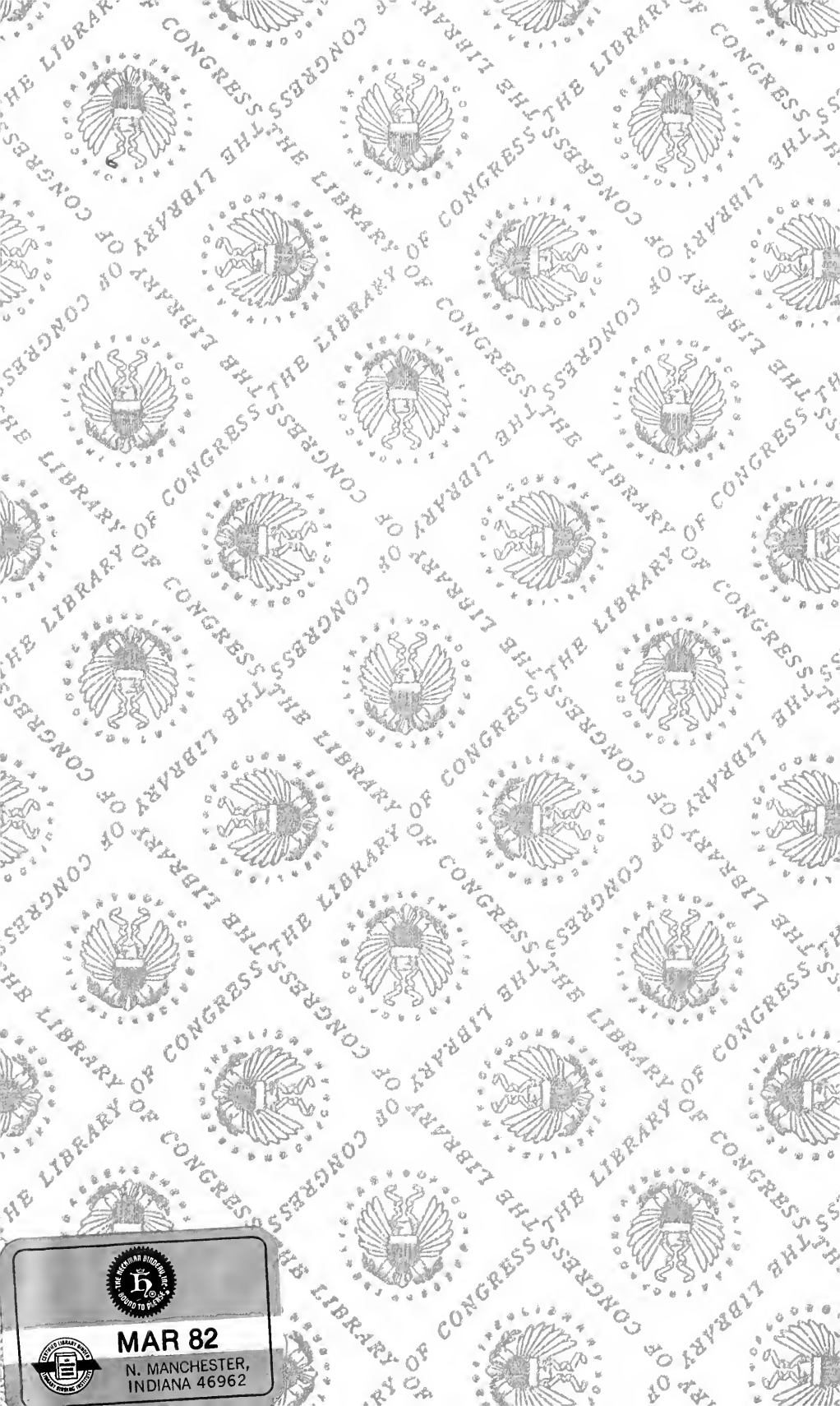












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